



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)



2012
Third 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.

SUMMARY

- Turnover for the nine months ended 30 September 2012 amounted to approximately HK\$2,307,000 (2011: HK\$135,000).
- The Group's loss attributable to equity holders of the Company for the nine months ended 30 September 2012 amounted to approximately HK\$6,429,000 (2011: HK\$40,869,000).
- The Group's basic loss per share for the nine months ended 30 September 2012 was 0.24 Hong Kong cents (2011: loss per share of 2.43 Hong Kong cents).
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of China Asean Resources Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
CONTINUING OPERATIONS					
Turnover	2	866	55	2,307	135
Cost of sales		(964)	—	(1,237)	—
Gross profit/(loss)		(98)	55	1,070	135
Other income	3	101	—	5,580	63
Selling and distribution expenses		(98)	(230)	(333)	(566)
Administrative expenses		(8,953)	(9,283)	(25,926)	(31,075)
Finance costs	4	—	—	—	(8,743)
Gain on disposal of subsidiary	5	—	—	182	—
Share of profit of associates		10,004	—	14,868	—
Profit/(loss) before taxation	4	956	(9,458)	(4,559)	(40,186)
Taxation	7	—	—	—	—
Profit/(loss) for the period from continuing operations		956	(9,458)	(4,559)	(40,186)
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations	6	(503)	(649)	(1,870)	(683)
PROFIT/(LOSS) FOR THE PERIOD		453	(10,107)	(6,429)	(40,869)
Other comprehensive income for the period					
Exchange differences on translation of financial statements of overseas subsidiaries		121	(44)	85	151
Other comprehensive income for the period, net of tax		121	(44)	85	151
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		574	(10,151)	(6,344)	(40,718)

		For the three months ended 30 September		For the nine months ended 30 September	
		2012 <i>HK Cents</i>	2011 <i>HK Cents</i>	2012 <i>HK Cents</i>	2011 <i>HK Cents</i>
Basic earnings/(loss) per share	8				
From continuing operations		0.04	(0.44)	(0.17)	(2.39)
From discontinued operations		(0.02)	(0.03)	(0.07)	(0.04)
		0.02	(0.47)	(0.24)	(2.43)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), comprising Hong Kong Accounting Standards ("HKASs"); and Interpretations.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements. The Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. The adoption of these new and revised HKFRSs has not resulted in significant changes to the Group's financial statements. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position. The Group has not applied the new HKFRSs that have been issued but are not yet effective.

This consolidated quarterly financial information has not been audited.

2. TURNOVER

Turnover recognised during the period is analysed as follows:

	Continuing operations				Discontinued operations			
	For the		For the		For the		For the	
	three months ended		nine months ended		three months ended		nine months ended	
	30 September		30 September		30 September		30 September	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of wood and agriculture products	866	55	2,307	135	—	—	—	—

3. OTHER INCOME

	Continuing operations				Discontinued operations			
	For the three months ended 30 September		For the nine months ended 30 September		For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest income	—	—	—	8	—	—	—	—
Written back on provision	—	—	3,656	—	—	—	—	—
Compensation for an acquisition	—	—	1,616	—	—	—	—	—
Miscellaneous	101	—	308	1	—	—	7	—
Gain on disposal of property, plant and equipment	—	—	—	54	—	—	—	—
	101	—	5,580	63	—	—	7	—

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations				Discontinued operations			
	For the three months ended 30 September		For the nine months ended 30 September		For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Finance costs								
Interest on bonds	—	—	—	8,743	—	—	—	—
Staff costs								
Wages and salaries	1,033	2,053	3,935	8,687	114	101	336	134
Share based payments	—	—	—	696	—	—	—	—
Staff retirement benefits	14	19	46	55	—	—	—	—
Other items								
Depreciation	308	603	2,149	2,075	386	538	1,465	538
Auditors' remuneration	—	446	211	503	—	—	10	—
Operating lease charges in respect of office premises	250	330	793	836	—	—	—	—
Amortisation of forest exploitation rights	3,184	3,184	9,550	9,550	—	—	—	—

5. 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
Net assets disposed of	38
Cash consideration	220
Gain on disposal of subsidiary	182

6. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

Disposal of coal logistics and trading businesses

The Company announced on 5 September 2012 that it had entered into a conditional agreement to exit from coal logistics and trading businesses in The People's Republic of China (the "PRC") through the disposal (the "Disposal") of the entire issued share capital of Linkbest System Development Limited for cash consideration of HK\$25,000,000.

The analysis of the result of discontinued operations is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Other income	—	—	7	—
Expenses	(503)	(649)	(1,877)	(683)
Loss before taxation	(503)	(649)	(1,870)	(683)
Taxation	—	—	—	—
Loss for the period from discontinued operations	(503)	(649)	(1,870)	(683)

7. TAXATION

(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 2012 (2011: HK\$Nil) as the Group did not have any assessable profits chargeable to Hong Kong Profits Tax for the periods.

(b) PRC Income Tax

No provision for the PRC income tax has been made as the Group did not have any assessable profits for the three months and nine months ended 30 September 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 as the Group did not have any assessable profits for the three months and nine months ended 30 September 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 and nine months ended 30 September 2012 (2011: HK\$Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculations of the basic and diluted earnings/(loss) per share for the three months and nine months ended 30 September 2012 are based on the unaudited profit attributable to owners of the Company of approximately HK\$453,000 (2011: loss of HK\$10,107,000) and unaudited loss of approximately HK\$6,429,000 (2011: loss of HK\$40,869,000) respectively, divided by the weighted average number of 2,623,950,965 (2011: 2,133,854,699) and 2,623,950,965 (2011: 1,678,631,992) ordinary shares in issue for the three months and nine months ended 30 September 2012, respectively.

No diluted loss per share has been presented for the three months and nine months ended 30 September 2012 and 2011 as the exercise of share options would result in an anti-dilutive effect.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

10. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (Acc- umulated losses) HK\$'000	Total HK\$'000
Balance at 1 January 2011 (audited)	604,213	5,265	104,407	8,243	2,043	(29,843)	694,328
Transactions with owners							
Issue of shares	58,674	—	—	—	—	—	58,674
Conversion of convertible bonds	213,326	—	(104,407)	—	—	11,889	120,808
Recognition of equity-settled share based payments	—	—	—	696	—	—	696
Total transactions with owners	272,000	—	(104,407)	696	—	11,889	180,178
Comprehensive income							
Loss for the period	—	—	—	—	—	(40,869)	(40,869)
Other comprehensive income for the period	—	—	—	—	151	—	151
Total comprehensive income	—	—	—	—	151	(40,869)	(40,718)
Balance at 30 September 2011 (unaudited)	876,213	5,265	—	8,939	2,194	(58,823)	833,788
Balance at 1 January 2012 (audited)	972,987	5,265	—	3,482	2,118	(73,809)	910,043
Transactions with owners							
Lapse of share options	—	—	—	(1,903)	—	1,903	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	—
Total transactions with owners	—	—	—	(1,903)	—	1,903	—
Comprehensive income							
Loss for the period	—	—	—	—	—	(6,429)	(6,429)
Other comprehensive income for the period	—	—	—	—	85	—	85
Total comprehensive income	—	—	—	—	85	(6,429)	(6,344)
Balance at 30 September 2012 (unaudited)	972,987	5,265	—	1,579	2,203	(78,335)	903,699

FINANCIAL REVIEW

The unaudited consolidated financial result of the Group for the nine months ended 30 September 2012 is analysed below.

The Group's turnover for the nine months ended 30 September 2012 amounted to approximately HK\$2,307,000 (2011: HK\$135,000) from sale of wood products in Cambodia.

Other income for the nine months ended 30 September 2012 amounted to approximately HK\$5,580,000 (2011: HK\$63,000). The increase was mainly due to a non-recurring gain of HK\$3,656,000 from the write-back of certain liabilities upon deregistration of a subsidiary in the PRC and the compensation of approximately HK\$1,616,000 to the Company pursuant to the profit guarantee under the sale and purchase agreement for the Group's acquisition of the first forest in 2007.

The loss attributable to the owners of the Company for the nine months ended 30 September 2012 amounted to approximately HK\$6,429,000 (2011: HK\$40,869,000). The reduction of the losses over the prior period was mainly resulted from decreases in administrative expenses and finance costs, and increases in share of profit of associates.

The basic loss per share for the nine months ended 30 September 2012 was 0.24 Hong Kong cents (2011: 2.43 Hong Kong cents).

At 30 September 2012, the Group had no outstanding bank loans (2011: Nil) nor outstanding hedging instruments (2011: Nil).

BUSINESS REVIEW

Wood products manufacturing and plantation business

Sales of approximately HK\$2,307,000 for the nine months ended 30 September 2012 were mainly derived from the export sale of wooden flooring materials to the PRC.

The Group's initial rubber plantation schedule for the year 2012 is 1,000 hectares. However, in light of the Group's tight cash flow, the Group has subsequently further revised the rubber plantation schedule downwards to 300 hectares. Based on the Company's past experience in its application for reducing the plantation plan, the official request to the Cambodian government will be made before the end of 2012.

Coal logistics and trading

The Company has entered into a disposal agreement in September 2012 to dispose of the coal logistics and trading business of the Group (the “Disposal”), details of which were disclosed in the Company’s announcement dated 5 September 2012.

Plastics and related products manufacturing

The Group’s share of the profit from Live Rise Technology Limited (“LRT”) was approximately HK\$14.9 million for the nine months ended 30 September 2012.

Others

The Group received compensation of HK\$10.7 million in October 2012 from the former executive director and chief executive officer, Mr. Li Wo Hing. The amount will be reflected as other income in the annual results for the year ending 31 December 2012. Details of this compensation were disclosed in the Company’s announcement dated 3 October 2012.

As a result of the acquisition of the third forest in the fourth quarter of 2010 (details of which have been disclosed in the circular of the Company dated 17 September 2010), Mr. Gong shall provide an interest-free loan of HK\$30 million to the Group for the development of the Group’s forestry business. As at the date of this announcement, Mr. Gong is in the process of procuring such loan. The Company, having taken into account Mr. Gong’s agreement to acquire the loss-making Inner Mongolia Huayue Mining Company Limited at the Group’s initial investment cost of HK\$25 million in cash and the Disposal will provide additional working capital to the Group, has decided to suspend its further actions against Mr. Gong till the end of 2012 so as to give additional time to him in raising the fund.

BUSINESS OUTLOOK

Wood products manufacturing and plantation business

Due to the Group’s limited capacity to fund the building up of timber inventory and the processing of export permit applications in advance, the sales potential of its forestry, wood product manufacturing and plantation business has been limited. However, it is the intention of the Group to continue to grow this business as one of its principal businesses through different operation modes such as co-operation or introduction of strategic investors. In order to minimize the potential capital requirement for the Group’s rubber plantation, the Group is in discussions with certain plantation partners (including state-owned companies in the PRC) for business co-operation.

Coal logistics and trading

Following the completion of the Disposal, the Group will no longer be engaged in the coal logistics and trading business.

Plastics and related products manufacturing

With the continuous business development of LRT and the intention of the Group to continue to gain further interest in LRT, the Group will be able to share a greater interest in the plastics and related products manufacturing business of LRT to capture the growth potential of the plastics and related products industry in the PRC.

OTHER INFORMATION

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

As at 30 September 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:

(a) Long positions in the shares of the Company

Name	Capacity 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 1)	Beneficial Owner	446,370,967	—	17.01%

Name	Capacity 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 Yuen, Alan	Beneficial Owner	10,950,917	—	0.42%
		—	5,000,000 <i>(note 2)</i>	0.19%
Mr. Zhang Zhenzhong	Beneficial Owner	27,328,000	—	1.04%
		—	5,000,000 <i>(note 3)</i>	0.19%

Notes:

1. Better Day is wholly and beneficially owned by Ms. Yu Xiao Min.
2. Mr. Leung Sze Yuan, Alan has been granted 5,000,000 share options which have not yet been exercised.
3. Mr. Zhang Zhenzhong has been granted 5,000,000 share options which have not yet been exercised.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at 30 September 2012, none of the Directors or chief executives of the Company has short positions in the shares, underlying shares or equity derivatives of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 10 June 2011, the Company approved and adopted a new share option scheme and terminated the prior share option scheme adopted on 14 December 2001, pursuant to which any employees and directors of the Company and its subsidiaries may be granted options to subscribe for shares of the Company.

The Company granted share option of 10,286,000 shares, 9,257,000 shares and 13,300,000 shares to 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. Subsequently, approximately 1,029,000 shares options granted to a former director and 7,557,000 shares options granted to the senior employees have been cancelled after their resignations. On 12 October 2011 and 31 March 2012, approximately 6,173,000 and 5,787,000 shares options lapsed respectively.

As at 30 September 2012, details of the outstanding options were as follows:

Date of grant	Exercise period	Number of share options				Outstanding as at 30 September 2012
		Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
31/03/2008	31/03/2010 to 31/03/2012	5,787,000	—	—	(5,787,000)	—
04/06/2010	04/06/2011 to 03/06/2014	12,300,000	—	—	—	12,300,000
		18,087,000	—	—	(5,787,000)	12,300,000

Save as disclosed above, as at 30 September 2012, no other directors or the chief executive of the Company 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

As at 30 September 2012, so far as is known to 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.

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

DIRECTORS' INTEREST IN CONTRACTS

Save for the Disposal, 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 2012.

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

During the nine months ended 30 September 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, 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 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 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.

As at 30 September 2012, the Committee comprised of three independent non-executive Directors, namely, Messrs. Zhang Ying, Hong Bingxian and Wen Huiying.

During the nine months ended 30 September 2012, the Committee had held three meetings for the purpose of reviewing the Company's reports and financial statements, and providing advice and recommendations to the Board.

The Committee members have reviewed the Company's quarterly report for the nine months ended 30 September 2012 and are 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 the code of conduct regarding directors' transactions in securities of the Company throughout the nine months ended 30 September 2012. The Directors have confirmed that they had complied with such code of conduct and required standards of dealings throughout the nine months ended 30 September 2012.

By order of the Board

Zeng Lingchen

Executive Director

Hong Kong, 12 November 2012