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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: 8186)

SUPPLEMENTAL ANNOUNCEMENT

This announcement is made for the purpose of supplementing further information to the Annual Report and the Interim Report relating to, among other things, the compensation regarding the First Forest Acquisition and the development of the Group's businesses.

Reference is made to the Company's announcement dated 5 September 2012, the interim report for the six months ended 30 June 2012 (the "Interim Report"), the annual report (the "Annual Report") for the year ended 31 December 2011, and the circular (the "Circular") dated 7 September 2007 relating to the First Forest Acquisition.

The purpose of this announcement is to supplement further information to the Annual Report and the Interim Report relating to, among other things, the compensation regarding to the Group's First Forest Acquisition and the development of the Group's businesses.

COMPENSATION UNDER THE FIRST FOREST ACQUISITION

As disclosed in the Circular, the vendors under the First Forest Acquisition Agreement, namely Mr. Zhang Zhenzhong ("Mr. Zhang"), Mr. Pen Sophal ("Mr. Pen") and Ms. Zhang Jie ("Ms. Zhang"), have jointly and severally guaranteed that the audited net profit after tax and minority interests but before extraordinary or exceptional items of (Cambodia) Tong Min prepared under Hong Kong accounting standards (the "Net Profit") for the financial year ended 31 December 2008 to be not less than HK$170 million and that for the three years ended 31 December 2009, 2010 and 2011 to be, in aggregate, not less than HK$700 million (the "First Forest Guaranteed Profits"). In addition, each of Mr. Pen and Ms. Zhang, had further undertaken to the Company that they would, in aggregate, hold not less than 80%, 50% and 20% of the total number of the consideration shares (the "Consideration Shares") and the conversion shares (the "Conversion Shares") issued under the First Forest Acquisition (i.e. a total of 470 million Shares) during the periods from (i) the completion date of the First Forest Acquisition Agreement to 31 December 2007 (the “First Restriction Period”); (ii) 1 January 2008 to 1 month after the publication of 2008 annual report of the Company (the “Second Restriction Period”); and (iii) 1 month after the publication of 2008 annual report of the Company to 1 month after publication of 2011 annual report of the Company (the “Third Restriction Period”), respectively, such that in the event that the actual Net Profit for either (i) 2008 or (ii) the period from 2009 to 2011 were less than 70% of the respective First Forest Guaranteed Profits, Mr. Pen and Ms. Zhang would compensate the Company up to the maximum number of Consideration Shares and Conversion Shares retained by them during the relevant First, Second and Third Restriction Periods. Under the First Forest Acquisition Agreement, there were no specifications (or restrictions) as to whether the sources of profit of (Cambodia) Tong Min nor was there any alternative compensation mechanism other than by way of the above-mentioned shares compensation.

For the year ended 31 December 2008, (Cambodia) Tong Min recorded non-recurring income from its forestry exploitation business in the aggregate amount of approximately HK$129.99 million comprising (i) the income attributable to the Sub-concession (as defined below) and (ii) the one-off income of approximately HK$78 million from Eastwood Link Limited (“Eastwood Link”) for its appointment as the sole service provider for, among other things, logging of the trees for an area of 1,000 hectares standing on the First Forest and the subsequent processing of the logs into wood products for sale, which resulted in (Cambodia) Tong Min having recorded a net profit of approximately HK$123 million, which was above the minimum 70% of First Forest Guaranteed Profit for the year ended 31 December 2008 of HK$170 million (i.e. HK$119 million). However, since (Cambodia) Tong Min was loss-making for each of the three years ended 31 December 2011, 20% of the Conversion Shares and the Consideration Shares (which amounted to 94.4 million Shares or 18.8 million Shares before and after the share consolidation, respectively) were required to be disposed of and the proceeds of which would be used to compensate the Company pursuant to the First Forest Acquisition Agreement. As disclosed in the Interim Report, the Company received a compensation of approximately HK$1.62 million.

Based on the respective disclosure of interests forms filed by Mr. Pen and Ms. Zhang and the register of interests maintained by the Company in accordance with the provision of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Mr. Pen and Ms. Zhang held in total 400 million Shares (representing approximately 21% of the then issued share capital of the Company as at the end of the Second Restriction Period) and in total not less than 330 million Shares (representing approximately 17% of the then issued share capital of the Company as at the end of the Second Restriction Period) throughout the First Restriction Period and the Second Restriction Period respectively, and had therefore complied with the requirement for retaining the minimum number of Shares required under the First Forest Acquisition Agreement.

However, during the Third Restriction Period, it is noted that (i) Mr. Pen was holding 74 million Shares (or 14.8 million Shares after the share consolidation of the Company, representing approximately 3.9% of then issued share capital of the Company) based on the last disclosure of interests form filed in May 2009; whilst (ii) Ms. Zhang sold all her remaining 97.6 million Shares (or 19.52 million Shares after the share consolidation, representing approximately 5.1% of the then issued share capital of the Company) to Mr. Zhang in July 2009 on the mutual understanding that the above-mentioned lock-up undertaking of the Shares would continue to apply and since then, Mr. Zhang has held such Shares till the end of the Third Restriction Period. Despite Ms. Zhang's technical non-compliance to retain the required number of Shares pursuant to the First Forest Acquisition Agreement, the compensation undertaking in relation to the failure to meet the First Forest Guaranteed Profit has been satisfied and, therefore, the Company intends not to take actions against the relevant vendors in this regard.

BUSINESS DEVELOPMENT OF THE GROUP

Wood products manufacturing and plantation

Slow down of the Group's rubber tree plantation schedule

As stated in the first quarterly report of the Company for the three months ended 31 March 2012 (the "2012 First Quarterly Report"), the Group's initial intended rubber plantation schedule for 2012 would be 1,000 hectares. However, in light of the Group's tight cash flow, the Group has subsequently further revised its rubber plantation plan downwards to 300 hectares as disclosed in the Interim Report. In this connection, it is expected that the Group will finalise the arrangement with an independent agent who had worked with the Group previously to submit on behalf of the Group an official request to the Ministry of Agriculture, Forestry and Fisheries ("MAFF") of Cambodia before the end of 2012 for such slow down of the Group's plantation schedule in 2012.

Since such slow down of the Group's rubber plantation plan will only delay the time when the rubber trees become matured and harvestable and, more importantly, will not have an adverse impact on the rubber trees that have been planted, the Group does not anticipate that such slow down in its rubber plantation plan to have any material adverse impact on its plantation business. In addition, based on discussions between the management of the Company and the independent valuer, BMI Appraisals Limited ("BMI"), the slow down in plantation schedule is preliminarily estimated not to result in the Group's forest exploitation rights (which were recorded under intangible assets in the Company's consolidated balance sheet) having become lower than their carrying values. Accordingly, the management of the Company does not consider any impairment be required on the Group's forest exploitation rights as at the date of this announcement. For each of the four years ended 31 December 2011, the Company also engaged BMI to perform valuation on the forest exploitation rights and the valuations of which were higher than their carrying values, respectively. However, the impairment assessment on the Group's forest exploitation rights as at its financial year end will still be subject to (i) an independent valuation performed by BMI; and (ii) the review and assessment on the potential impairment provision by the Company's auditors, KLC Kennic Lui & Co. Ltd. ("KLC"), which during the past years, has conducted site visits and held discussions with the component auditors, BDO (Cambodia) Ltd., during the course of their audit to conclude as to whether any impairment provision was necessary.

In addition, as at 31 December 2011 and 30 June 2012, the Group also recorded biological assets in the amount of approximately HK$21.3 million and HK$25.5 million, respectively, which mainly comprised the rubber trees planted by the Group in the second half of 2011. Given such initial stage of the plantation, the management of the Company considered that it would be prudent to account for such biological assets of the Group at cost (comprising mainly the purchase price of the rubber tree seedlings), less any impairment loss (if any) and, after taking into account the cashflow projection in connection with these biological assets, the Group further concluded that there was no indication for impairment loss relating to its biological assets. It is intended that the Group will engage an independent valuer to perform a valuation on its biological assets as at 31 December 2012.

Export of the Group's wood products

Given that the port of Ho Chi Minh City in Vietnam is closer than the port of Sihanoukville in Cambodia to the Group's forests and Ho Chi Minh City is a main shipping hub with frequent freight services to customers in the PRC, the Group, during late 2011 and early 2012, attempted to ship the wood flooring materials through the port of Ho Chi Minh City for logistics cost concern. However, as disclosed in the Annual Report and the 2012 First Quarterly Report, the Group experienced certain delay in the custom clearance process during the transhipment from Cambodia to Vietnam. Although such custom clearance matters had been resolved and the relevant shipment had been completed, the management of the Group's forestry business has decided to make future shipment of the wood flooring materials through ports in Cambodia so as to avoid the uncertainty of possible re-occurrence of such delay in custom clearance.

The Group has completed the second shipment of wood products, with the third export shipment expected to be completed in November 2012. Notwithstanding the then negative image resulting from the Group's incapability in honouring the delivery schedule to a major customer in 2008 and 2009, during 2011 and 2012, the Group has made positive progress in expanding its clientele and received legally binding and committed purchase orders of approximately HK$3.1 million (amounting to approximately 400 cubic metres) from, among others, a subsidiary of a state-owned conglomerate in the PRC engaged in import and export trade and three PRC companies involved in import and export trade businesses.

Recoverability of amount due from Eastwood Link

As disclosed in the circular of the Company dated 9 May 2008, on 20 March 2008, the Company entered into an agreement with 瓊海鑫能農業發展有限公司 (Qiong Hai Xin Neng Agriculture Development Company Limited*, "Qiong Hai Agriculture") in relation to the subleasing (the "Sub-concession") of the approximately 1,000 hectares of land (the "Sub-divided Concession Land") located in the First Forest for a total consideration of US$10 million.

On 17 December 2010, the Group entered into a tripartite supplemental agreement (the "Supplemental Cooperation Agreement") with Qiong Hai Agriculture and Eastwood Link. At the time of entering into of the Supplemental Cooperation Agreement, Qiong Hai Agriculture has partly paid the said consideration in the amount of approximately US$8.42 million with US$1.58 million (equivalent to approximately HK$12.3 million) remained outstanding. Pursuant to the Supplemental Cooperation Agreement, the Group agreed to the transfer of the Sub-concession right by Qiong Hai Agriculture to Eastwood Link provided that Eastwood Link shall pay the remaining outstanding balance of approximately US$1.58 million on or before 31 December 2011 and, if Eastwood Link fails to do so, the Group shall be entitled to purchase back the sublease of the Sub-divided Concession Land at a cost of US$100,000 with prior notice to Eastwood Link.

Given the non-receipt of the remaining balance of approximately US$1.58 million from Eastwood Link, the Group has issued a notice to Eastwood Link in January 2012 to exercise its right to purchase back the Sub-divided Concession Land. Since the partial writing-off of approximately HK$6.08 million on such receivable at the end of 2011 has taken into account of the amount recoverable by the Group with reference to the historical cost of the Sub-divided Concession Land that can be re-possessed by the Group, it is considered that no further provision on the remaining balance from Eastwood Link is necessary. The purchase back of the Sub-divided Concession Land is subject to the Company having paid a consideration of US$100,000 to Eastwood Link as mentioned above. Given the Group's low level of working capital, it is expected that the Group will pay such consideration to complete the purchase back of the Sub-divided Concession Land when its working capital allows. However, given that the Sub-divided Concession Land is only accounted for approximately 10% of the total site area of the First Forest, it is expected that the potential delay in the purchase back of the Sub-divided Concession Land will not have material impact on the Group's plantation business.

Coal logistics and trading business

The Group's initial intention for the acquisition of Inner Monogolia Huayue Mining Company Limited(內蒙古華越礦業有限公司)("IM Mining") was to gain a foothold in the PRC's coal industry. Prior to the entering into of the IM Mining Acquisition Agreement, the management of the Company had, among other things, discussed with Mr. Gong Ting ("Mr. Gong"), an executive Director who is also a shareholder and a director of IM Mining, regarding the prospects of IM Mining (including the then negotiation between IM Mining and a China state-owned integrated contractor in connection with a contract for its provision of coal processing and transportation services) and the financial information of IM Mining. Furthermore, in order to provide sufficient protection of the Group's interest in IM Mining after the acquisition, the IM Mining Acquisition Agreement contains provisions such that the Group would be entitled to a cash compensation based on five times the shortfall between the net profit of IM Mining for the year ended 31 December 2011 and the guaranteed profit of HK$5 million for the year ended 31 December 2011 (the "IM Mining Guaranteed Profit") i.e. the maximum compensation of which would be HK$25 million, which is the same as the consideration payable by the Group. Since the future success of the business development of IM Mining (i.e. a coal trading company and the provider of the related logistics services) would be dependent on the business network of its management which may be established through the provision of other services incidental to its ordinary courses of business from time to time, the Group, in concluding the IM Mining Acquisition Agreement, did not impose any specifications/restrictions as to the source of revenue of IM Mining so as to provide the then vendors with the flexibility to grow the business of IM Mining, whilst at the same time, achieve the IM Mining Guaranteed Profit.

Although IM Mining was able to satisfy the IM Mining Guaranteed Profit due to the obtaining of the brokerage fee (partly in cash and partly by an acceptance bill) of approximately HK$7.8 million from an independent third party relating to the bridging the acquisition of a coal mine in Mongolia, it has not been the intention of the Company that a major portion of IM Mining's profit would be derived from its non-recurring business and, more importantly, the business of IM Mining has continued to deteriorate during the six months ended 30 June 2012. In view of the poor performance and uncertain prospects of IM Mining, following the entering into of the letter of intent as disclosed in Interim Report, on 5 September 2012, the Group entered into a sale and purchase agreement with Mr. Gong to dispose of its entire equity interest in IM Mining at a consideration of HK$25 million (the "IM Mining Disposal"). In addition, despite there remained an outstanding balance of the brokerage fee which would be settled by the said acceptance bill, during the course of its preparation of the Interim Report, the Company did not particularly assess for the potential impairment of this receivable after taking into account, among other things, this receivable would form part of the assets of IM Mining which would be disposed of by the Group under the IM Mining Disposal. As disclosed in the Company's announcement dated 5 September 2012, following the disposal of IM Mining, the Group's coal logistics and trading business will no longer have any adverse impact on its overall financial position and the directors of the Company have considered that such disposal is in the interest of the Company and its shareholders as a whole. The disposal of IM Mining constitutes a major and connected transaction on the part of the Company and will be subject to independent shareholders' approval. Details of the IM Mining Disposal was contained in the Company's announcement dated 5 September 2012. Nevertheless, depending on the progress of the IM Mining Disposal, the Company will re-assess whether there will be any indication for impairment in the course of preparing the audit of its financial statements for the year ending 31 December 2012.

Supplemental information regarding the Group's businesses, working capital and growth prospects

Wood products manufacturing and plantation

The income of the Group's wood products manufacturing and plantation business is mainly derived from domestic and export sale of wood products. Although the unexpected delay in custom clearance during the first quarter of 2012 which had adversely impacted the export sales of the Group's wood products has been gradually resolved, the Group's existing limited working capital to fund inventory and process export permits application procedures in advance have hindered the Group's business growth in its forestry business. Nevertheless, the Group is targeting to achieve average combined export and domestic sales of 400 cubic metres of wood products per month during the fourth quarter of 2012. For the six months ended 30 June 2012, the Group has completed export of wood products of approximately HK$1.32 million (or approximately 200 cubic metres) and domestic sale of sawn timber of approximately HK$0.12 million. It is expected that the remaining purchase orders as mentioned above will be completed by the end of 2012, subject to the completion of the renewal of 10,000 cubic metres export permit from the relevant Cambodian authorities.

Working capital

As disclosed in the Annual Report, Mr. Gong, has provided an undertaking to procure an amount of HK$30 million interest-free loan for the Company by June 2012 to mitigate the Group's short-term working capital needs. However, as at the date of this announcement, Mr. Gong is still in the process of procuring such interest-free loans in the PRC. With an understanding on the Group's short-term working capital needs and a view to minimising the potential future loss from IM Mining, Mr. Gong, as mentioned above, has entered into an agreement with the Company to acquire the entire interest in IM Mining at a cash consideration of HK$25 million. The Company, after having taken into account that at the time when Mr. Gong provided such undertaking, it was the good intention of Mr. Gong (as a director of the Company) and his continuous commitment (as a substantial shareholder of the Company) to procure the necessary financial support to the Group for its continuing operations, has decided to suspend its further actions against Mr. Gong till the end of 2012 so as to give additional time to Mr. Gong in raising the funds.

Notwithstanding the above, the management of the Group is also seeking new funds for the Group to meet its future capital requirements. In this regard, the management of the Company has considered equity financing (such as placing of new shares, rights issues and open offers) for obtaining new funds to the Group. However, given that (i) the share price of the Company decreased by over 40% from HK$0.096 as at 3 January 2012 to HK$0.052 as at the date of this announcement; (ii) the recent share prices of the Company have been close to or even below the par value of HK$0.05 of the Shares; (iii) the Group was loss making for the year ended 31 December 2011 and the six-month period ended 30 June 2012; and (iv) the current stock market sentiment is uncertain and the investors' attitude is highly unpredictable due to the deepening financial and political problems worldwide, the Company is seeking debt financing or a combination of debt and equity financing (such as issue of convertible bonds). As at the date of this announcement, the Group had not entered into any definite agreement or under negotiation regarding any debt or equity financing of the Group.

Growth prospects

Following the disposal of IM Mining, the Group will focus its resources on growing its two principal businesses, namely wood products manufacturing and plantation as well as the design and manufacture of plastic and related household products.

GENERAL

This announcement is made for the purpose of supplementing further information to the Annual Report and the Interim Report relating to, among other things, the compensation regarding the First Forest Acquisition and the development of the Group's businesses, and should be read together with the Annual Report and the Interim Report.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Company"	China Asean Resources Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"(Cambodia) Tong Min"	(Cambodia) Tong Min Group Engineering Co., Ltd., a wholly-owned subsidiary of the Company and was formally owned by the relevant vendors prior to the completion of the First Forest Acquisition Agreement
"Director(s)"	the director(s) of the Company
"First Forest"	the forest located in Kratie District, Kratie Province, Cambodia acquired by the Group pursuant to the sale and purchase agreement entered into between the Group and the relevant vendors
"First Forest Acquisition"	acquisition of the First Forest by the Group pursuant to the First Forest Acquisition Agreement
"First Forest Acquisition Agreement"	the sale and purchase agreement dated 25 July 2007 entered into by the Group in connection with the acquisition of the First Forest
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"IM Mining Acquisition Agreement"	the sale and purchase agreement dated 28 January 2011 entered into by the Company for the acquisition of the entired equity interest of IM Mining, details of which was disclosed in the Company's announcement dated 28 January 2011
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"HK$"	Hong Kong dollar(s), the lawful currency of the Hong Kong Special Administrative Region of the PRC

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

Hong Kong, 6 November 2012

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Chultemsuren Gankhuyag, Mr. Gong Ting, Mr. Leung Sze Yuan, Alan, Ms. Yu Xiao Min and Mr. Zeng Lingchen; and three independent non-executive Directors, namely Mr. Hong Binxian, Ms. Wen Huiying and Mr. Zhang Ying.

This announcement, for which the Directors collectively and individually accept full responsibility, includes 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at "http://www.hkgem.com" for seven days after the date of the publication and will be published on the website of the Company "http://www.chinaaseanresources.com".