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## **NORTH ASIA RESOURCES HOLDINGS LIMITED**

**北亞資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 61)**

### **ISSUE OF UNLISTED CONVERTIBLE BONDS**

#### **THE SUBSCRIPTION AGREEMENT**

On 8 September 2010 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of up to US\$33,000,000 due three years from the Issue Date in two tranches convertible into Conversion Shares at the Conversion Price of HK\$1.70 per Conversion Share (subject to adjustments).

Assuming full conversion of the Convertible Bonds, a total of 150,441,175 Conversion Shares will be issued by the Company, representing (i) approximately 19.35% of the Company's existing issued share capital of 777,527,325 Shares; and (ii) approximately 16.21% of the Company's issued share capital as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds. The Conversion Shares shall be issued under the General Mandate.

The estimated net proceeds from the issue of the Convertible Bonds of approximately HK\$243,000,000 will be used for the general working capital of the Group, acquisition of iron concession in Mongolia and/or any other possible acquisitions in future.

The CB Subscription is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares.

**Completion of the CB Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

8 September 2010 (after trading hours)

### **Parties**

Issuer: the Company

Subscriber: Business Ally Investments Limited

The Subscriber is a company incorporated under the laws of the BVI and is a wholly-owned subsidiary of CCB International Asset Management Limited. To the best of the Directors' information, knowledge and belief, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Principal terms of the CB Subscription**

Aggregate principal amount: Tranche 1 CB: US\$30,000,000

Tranche 2 CB: up to US\$3,000,000

Maturity date: The third anniversary of the date of issue of the Convertible Bonds.

Issue price: The Convertible Bonds will be issued at 100% of their principal amount.

Form of the bonds: The Convertible Bonds will be in registered form only.

Redemption at maturity: Unless previously redeemed, converted or purchased or cancelled, the Company will redeem all outstanding Convertible Bonds on the Maturity Date at the yield of maturity (as stated below) as at the Maturity Date plus any accrued but unpaid interest.

- Yield to maturity: The yield to maturity will be determined by the auditors of the Company so that it represents for the Bondholders of (a) a gross yield to maturity of 18% per annum, calculated on the outstanding principal amount of the Convertible Bonds for the period from and including the Issue Date to but excluding such date of determination, on an annual compounding basis rounded (if necessary) to two decimal places, with 0.005 being rounded upwards minus (b) all interest paid thereon on or prior to such date of determination.
- Interest: 8.0% per annum on the outstanding aggregate principal amount of the Convertible Bonds, payable annually commencing from the Issue Date up to (and including) the Maturity Date. All accrued interest shall be payable in the event of redemption or conversion.
- Conversion right: The Convertible Bonds are convertible in whole or in part by the Bondholders into Conversion Shares at the Conversion Price at any time during the conversion period (as stated below).
- Conversion period: The period commencing from (and including) the date which is three months after the Issue Date up to ten Business Days prior to the Maturity Date.
- Initial conversion price: HK\$1.70 per Conversion Share, which represents:
- (i) a premium of approximately 18.88% to the closing price of the Shares of HK\$1.430 per Share as quoted on the Stock Exchange on the Last Trading Date;
  - (ii) a premium of approximately 16.60% to the average of the closing prices of the Shares of HK\$1.458 per Share for the five consecutive trading days up to and including the Last Trading Date; and
  - (iii) a premium of approximately 15.49% to the average of the closing prices of the Shares of HK\$1.472 per Share for the ten consecutive trading days up to and including the Last Trading Date.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares.

Adjustments to the conversion price: The Conversion Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:

- (i) there shall be an alteration to the nominal value of the Shares by reason of any consolidation or subdivision or re-classification or whatever reasons;
- (ii) the Company shall issue any Shares credited as fully paid by way of capitalization of profits or reserves including Shares paid up out of distributable profits or reserves and/or share premium account and which would not have constituted a distribution;
- (iii) the Company shall make any capital distribution to holders (in their capacity as such) of Shares or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) the Company shall offer or grant to all or substantially all holders of Shares new Shares for subscription by way of rights, or any options or warrants or other rights to subscribe for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme) at a price which is less than 95 per cent of the market price at the date of the announcement of the terms of the offer or grant;

- (v) the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), and the total effective consideration per Share initially receivable for such securities is less than 95 per cent of the market price at the date of the announcement of the terms of issue of such securities; and
- (vi) the Company shall issue wholly for cash any Shares (other than Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme) or grant any options or warrants or other rights to subscribe for new Shares at a price per Share which is less than 95 per cent of the market price at the date of the announcement of the terms of such issue.

The term “capital distribution” and “total effective consideration” referred to above shall be determined in accordance with the terms and conditions of the Convertible Bonds.

Conversion Shares:

Upon full conversion of the Convertible Bonds at an initial conversion price of HK\$1.70 per Conversion Share, an aggregate of 150,441,175 Conversion Shares will be issued, representing approximately (i) 19.35% of the existing issued share capital of the Company; and (ii) 16.21% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under the General Mandate granted to the Board pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 31 May 2010.

Negative pledge and security:

The Convertible Bonds will be secured by the Charge on Preference Shares and the Share Charge on a first priority basis.

- Listing:** No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.
- Ranking:** The Conversion Shares to be issued resulting from the exercise of the conversion rights attaching to the Convertible Bonds will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attaching to the Convertible Bonds are exercised.
- Voting:** The Bondholders shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of their being the Bondholders.
- Events of default:** The Convertible Bonds will contain events of default provisions which provide that on the occurrence of certain events of default specified in the Convertible Bonds, each of the Bondholders shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Bonds.
- Transferability:** The Convertible Bonds may be assigned or transferred by the Bondholders by giving to the Company at least ten Business Days' written notice of the proposed transfer of the Convertible Bonds and subject to compliance of the conditions under the Convertible Bonds and further subject to the conditions, approvals, requirements and any other provisions of or under:
- (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations, but only to the extent applicable;
  - (ii) the approval for listing in respect of the Conversion Shares, if so imposed by the Stock Exchange; and
  - (iii) all applicable laws and regulations, if any.

There is no restriction on sales of the Conversion Shares by the Subscriber.

## **Conditions Precedent for the Tranche 1 CB**

Completion of the subscription of the Tranche 1 CB under the Subscription Agreement shall be conditional upon, among others,

- (i) listing of and permission to deal in all of the Conversion Shares being granted by the Listing Committee of the Stock Exchange and a copy of the listing approval having been provided to the Subscriber;
- (ii) the Warranties in the opinion of the Subscriber remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at Completion;
- (iii) the Company shall have performed all of its obligations under the Subscription Agreement on or before the Tranche 1 CB Completion Date;
- (iv) NARG shall have executed and delivered to the Subscriber the Share Charge under seal, lodged all relevant documents for registration of the Share Charge in the register of charges of NARG under the laws of the BVI and delivered to the Subscriber a legal opinion confirming the due execution of the Share Charge by NARG issued by lawyers qualified to practise the laws of the BVI in relation to the Share Charge;
- (v) Mountain Sky shall have executed and delivered to the Subscriber the Charge on Preference Shares under seal, lodged all relevant documents for registration in relation to the Charge on Preference Shares under the laws of the BVI and delivered to the Subscriber a legal opinion confirming the due execution of the Charge on Preference Shares by Mountain Sky issued by lawyers qualified to practise the laws of the BVI in relation to the Charge on Preference Shares;
- (vi) the Subscriber in its opinion being satisfied with its business, technical, legal and financial due diligence investigations with respect to the Group for the purpose of completion of the subscription for the Convertible Bonds;
- (vii) the Subscription Agreement, the Share Charge and the Charge on Preference Shares having been duly executed, sealed (if applicable) and delivered to the Subscriber by the parties thereto (other than the Subscriber) at the Completion, and each of the parties thereto (other than the Subscriber) having performed and complied with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or prior to the Tranche 1 CB Completion Date; and
- (viii) there shall not have any change, or development or event likely to involve a prospective change, in the condition (financial or otherwise), results of operations, business or properties of the Group, which is material and adverse and which makes it impracticable to subscribe the Convertible Bonds on the terms and in the manner contemplated in the Subscription Agreement.

In the event that any of the above conditions are not fulfilled at or before 1:00 p.m. (Hong Kong time) on the Tranche 1 CB Completion Date or such other date as may be agreed in writing between the Company and the Subscriber, the Subscription Agreement will lapse and become null and void and the parties to the Subscription Agreement shall be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof.

### **Conditions Precedent for the Tranche 2 CB**

Completion of the subscription of the Tranche 2 CB under the Subscription Agreement shall be conditional upon, among others,

- (i) the Subscriber has elected to subscribe all or part of the Tranche 2 CB by serving a Tranche 2 CB Confirmation Notice at or before 1:00 p.m. (Hong Kong time) on 21 September 2010;
- (ii) the Warranties in the opinion of the Subscriber remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at Completion; and
- (iii) the Company shall have performed all of its obligations under the Subscription Agreement on or before the Tranche 2 CB Completion Date.

In the event that any of the above conditions are not fulfilled at or before 1:00 p.m. (Hong Kong time) of the Tranche 2 CB Completion Date or such other date as may be agreed in writing between the Company and the Subscriber, the Subscription Agreement will lapse and become null and void and the parties to the Subscription Agreement shall be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof.

### **Conditions Subsequent**

Within 14 days after Completion, the Company shall procure NARG to transfer all its shareholding in Golden Pogada LLC to Green Paradise such that 99.99% equity interest of Golden Pogada LLC will be held by Green Paradise. The Company shall as soon as practicable provide relevant supporting documents to the Subscriber showing that the abovementioned transfer has been duly completed according to the laws of Mongolia.

Within 30 days after Completion, the Company shall provide an updated register of members of Green Paradise showing that the creation of the Share Charge having been updated, entered into and delivered to the Subscriber a certificate of incumbency showing the same to the satisfaction of the Subscriber.

### **Reasons for the CB Subscription and Use of Net Proceeds**

The Directors consider that the issue of the Convertible Bonds will provide the Company with additional funding without having an immediate dilution effect on the shareholding of the existing Shareholders. Further, if the conversion rights attaching to the Convertible Bonds are exercised, the capital base of the Company shall be broadened.



The net proceeds from the issue of the Convertible Bonds will be approximately HK\$243,000,000, which is intended to be used for the general working capital of the Group, acquisition of iron concession in Mongolia and/or any other possible acquisitions in future.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiation between the Company and the Subscriber, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **General Mandate**

The Conversion Shares will be issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 31 May 2010 subject to the limit up to 20% of the then issued ordinary share capital of the Company as at the date of the annual general meeting. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.

The maximum number of Shares to be issued under the General Mandate is 155,505,465 Shares. As at the date of this announcement, the Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. The Conversion Shares will utilize 150,441,175 Shares that are allowed to be allotted and issued under the General Mandate, and the balance of 5,064,290 Shares will remain outstanding under the General Mandate (approximately 3.26% thereof). The CB Subscription and the issue of Conversion Shares are not subject to Shareholders' approval.

## Effect on Shareholding Structure

The shareholding structures of the Company as at the date of this announcement and upon full conversion of the Convertible Bonds are shown as follows:

	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Great Metal Group Limited ("Great Metal") (note 2)	50,690,000	6.52	50,690,000	5.46
Integrated Asset Management (Asia) Limited ("IAM") (note 1)	140,356,657	18.05	140,356,657	15.13
Mountain Sky (note 4)	155,350,000	19.98	155,350,000	16.74
Ultra Asset International Ltd. ("Ultra Asset") (note 3)	70,820,000	9.11	70,820,000	7.63
<b>Sub-total</b>	<b>417,216,657</b>	<b>53.66</b>	<b>417,216,657</b>	<b>44.96</b>
<b>Public Shareholders</b>				
The Subscriber	0	0	150,441,175	16.21
Other public Shareholders	360,310,668	46.34	360,310,668	38.83
<b>Sub-total</b>	<b>360,310,668</b>	<b>46.34</b>	<b>510,751,843</b>	<b>55.04</b>
<b>Total</b>	<b>777,527,325</b>	<b>100</b>	<b>927,968,500</b>	<b>100</b>

Notes:

- IAM is wholly and beneficially owned by Mr. Yam Tak Cheung.
- Great Metal is wholly and beneficially owned by China Railway Mongolia Investment LLC.
- Ultra Asset is beneficially owned as to (i) 60% by Extra Right Group Limited which is wholly and beneficially owned by Mr. Yu Tsung Chin, William and (ii) 40% by Mr. Zhang Wei. Ultra Asset holds 718,500,400 Preference Shares.
- Mountain Sky is beneficially owned as to approximately 91.43% by Mountain Sky Resources Holdings Limited ("Mountain Sky Holdings"). Mountain Sky Holdings is beneficially owned as to 40% by Mr. Chan Kwan Hung and 40% by M&S Investment Consultants Limited. M&S Investment Consultants Limited is wholly and beneficially owned by Ms. Kung Lui. Mountain Sky holds 1,685,210,000 Preference Shares.

## FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The following table summaries the fund raising activities of the Group for the twelve months immediately preceding the date of this announcement:

<b>Date of Announcement</b>	<b>Event</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
18 December 2009	Placing of up to 232,140,000 existing Shares at not less than HK\$1.68 per Share	Approximately HK\$380 million for the newly acquired mining business in Mongolia	Applied for the development of mining business, acquisition of two alluvial gold mines and general working capital.

*Note:* For details of the intended use of proceeds, please refer to the announcement of the Company dated 17 May 2010.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	a day (other than Saturday and Sunday and a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“BVI”	British Virgin Islands
“CB Subscription(s)”	the subscription(s) by the Subscriber for the Convertible Bonds pursuant to the Subscription Agreement
“Charge on Preference Shares”	the share charge to be executed by Mountain Sky (as the chargor) in favour of the Subscriber (as the chargee) over certain number of the Preference Shares, the number of the Preference Shares subject to the Charge on Preference Shares shall have a market value which shall be equivalent to 3 times of the Subscription Amount (based on the volume average price of the Shares quoted on the Stock Exchange for the last 15 trading days prior to the date of the Subscription Agreement)

“Company”	North Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed and traded on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement including the issue of the Convertible Bonds by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the Tranche 1 CB Completion Date and the Tranche 2 CB Completion Date
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of the Convertible Bonds of HK\$1.70 per Conversion Share
“Conversion Share(s)”	the 150,441,175 new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds, based on the initial conversion price of HK\$1.70 per Conversion Share
“Convertible Bonds”	the convertible bonds comprising the Tranche 1 CB and the Tranche 2 CB in the aggregate sum of up to US\$33,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 31 May 2010 to allot, issue and deal with up to 155,505,465 Shares, being the limit of 20% of the Shares in issue as at the date of the passing of the resolution
“Green Paradise”	Green Paradise Enterprises Ltd., a company incorporated under the laws of BVI and is wholly owned by NARG
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date on which the Convertible Bonds are issued by the Company to the Subscriber under the Subscription Agreement

“Last Trading Day”	8 September 2010, being the last trading day on which the Shares were traded prior to the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock of Exchange
“Market Price”	the average of the closing prices of fully paid ordinary shares of the Company on the Stock Exchange as quoted in the official sheet of the Stock Exchange (or the equivalent) for each of the last five Stock Exchange trading days on which dealings in the Shares on the Stock Exchange took place ending on the last such trading day preceding the day on or as of which the market price is to be ascertained
“Maturity Date”	the date falling on the third anniversary of the respective dates of issue of the Convertible Bonds
“Mountain Sky”	Mountain Sky Resources (Mongolia) Limited, a company incorporated under the laws of the BVI which holds 1,685,210,000 Preference Shares as at the date of this announcement
“NARG”	North Asia Resources Group Limited (北亞資源集團有限公司), a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company
“Preference Shares”	the 2,403,710,400 convertible preference shares issued by the Company which is held as to 1,685,210,000 by Mountain Sky and 718,500,400 by Ultra Asset
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amount payable in the event of any voluntary or involuntary liquidation or dissolution of the Company
“Share Charge”	the share charge to be executed by NARG (as the chargor) in favour of the Subscriber (as the chargee) over the entire issued shares of Green Paradise
“Shareholder(s)”	the holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Business Ally Investments Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of CCB International Asset Management Limited
“Subscription Agreement”	the subscription agreement dated 8 September 2010 entered into between the Company and the Subscriber in respect of the CB Subscription
“Subscription Amount”	the subscription price of the Convertible Bonds payable by the Subscriber to the Company, comprising the Tranche 1 CB Subscription Amount and the Tranche 2 CB Subscription Amount
“Tranche 1 CB”	the principal amount of US\$30,000,000 Convertible Bonds to be subscribed by the Subscriber
“Tranche 2 CB”	the principal amount of up to US\$3,000,000 Convertible Bonds to be subscribed by the Subscriber
“Tranche 1 CB Completion Date”	the completion date in respect of the Tranche 1 CB which shall be on or before 20 September 2010 after all of the Conditions Precedent have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the parties may agree in writing) in respect of the Tranche 1 CB
“Tranche 2 CB Completion Date”	the completion date in respect of the Tranche 2 CB which shall be on or before 30 September 2010
“Tranche 2 CB Confirmation Notice”	the written notice to be served by the Subscriber to the Company to elect (a) to subscribe all or part of the Tranche 2 CB; or (b) not to subscribe for the Tranche 2 CB
“Tranche 1 CB Subscription Amount”	the subscription price of the Tranche 1 CB in the principal amount of US\$30,000,000 payable by the Subscriber pursuant to and in accordance with the Subscription Agreement
“Tranche 2 CB Subscription Amount”	the subscription price of the Tranche 2 CB in the principal amount of up to US\$3,000,000 payable by the Subscriber pursuant to and in accordance with the Subscription Agreement

“Transaction Documents”	the Subscription Agreement, the Share Charge, Charge on Preference Shares and any other documents relating to the transactions contemplated therein which may be entered into from time to time
“Ultra Asset”	Ultra Asset International Ltd., a company incorporated under the laws of the BVI which holds 718,500,400 Preference Shares as at the date of this announcement
“Warranties”	the representations, warranties and undertakings contained or referred to in Clause 6 and Schedule 1 of the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*In this announcement, US\$1.00 = HK\$7.75.*

By order of the Board  
**North Asia Resources Holdings Limited**  
**King Jun Chih, Joseph**  
*Chairman*

Hong Kong, 8 September 2010

*As at the date of this announcement, Mr. King Jun Chih, Joseph, Mr. Chan Kwan Hung and Mr. Tse Michael Nam are the executive Directors and Mr. Lim Yew Kong, John, Mr. Mak Ping Leung and Mr. Leung Po Wing, Bowen Joseph, GBS, JP are the independent non-executive Directors.*