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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 CONVERTIBLE BONDS

On 27 June 2017 (after trading hours), the Company entered into the conditional Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

The initial Conversion Price of HK\$0.0327 represents (i) a premium of approximately 2.188% over the closing price of HK\$0.0320 per Share as quoted on the Stock Exchange on 27 June 2017, being the date of the Subscription Agreement; and (ii) a premium of approximately 2.830% over the average of the closing prices of HK\$0.0318 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 27 June 2017. The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the assumption that the Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, the 11,926,605,505 Conversion Shares represent approximately 16.345% of the existing issued share capital of the Company and approximately 14.049% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares.

SUBSCRIPTION AGREEMENT

On 27 June 2017 (after trading hours), the Company entered into the conditional Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

Date: 27 June 2017 (after trading hours)

Parties:

- (i) The Company as issuer
- (ii) The Subscriber as subscriber

The Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are independent third parties and not connected persons (as defined under the Listing Rules) of the Company.

Principal Terms of the Convertible Bonds

Issuer: The Company

Principal amount: US\$50,000,000

Maturity Date: The Convertible Bonds shall be matured on the third (3rd) anniversary of the Issue Date and if such date is not a Business Day, the Business Day immediately following such date (the "**Initial Maturity Date**").

The Company may, by delivering a written notice to the Bondholders no later than 30 days prior to the Initial Maturity Date, request for an extension of the term of the Convertible Bonds to the date falling on the fourth (4th) anniversary of the Issue Date (the "**First Extended Maturity Date**").

The Company may, by delivering a written notice to the Bondholders no later than 30 days prior to the First Extended Maturity Date, request for a further extension of the term of the Convertible Bonds to the date falling on the fifth (5th) anniversary of the Issue Date and if such date is not a Business Day, the Business Day immediately following such date ("**Second Extended Maturity Date**").

Redemption:

On the Maturity Date, the Company shall redeem each Convertible Bond (unless previously redeemed, converted or cancelled) by repaying to each Bondholder the whole of the principal amount of the Convertible Bond, and pay to each Bondholder an amount equal to such amount which, together with the principal amount of the Convertible Bond redeemed, and all interest on the Convertible Bond received by the Bondholder from the Company (excluding any default interest), will yield an internal rate of return of:

- (a) in the case of redemption of the Convertible Bond on the Initial Maturity Date, 6.92% per annum on the principal amount of the Convertible Bond for the period from the Issue Date up to the Initial Maturity Date;
- (b) in the case of redemption of the Convertible Bond on the First Extended Maturity Date, 7.84% per annum on the principal amount of the Convertible Bond for the period from the Issue Date up to the First Extended Maturity Date; or
- (c) in the case of redemption of the Convertible Bond on the Second Extended Maturity Date, 8.39% per annum on the principal amount of the Convertible Bond for the period from the Issue Date up to the Second Extended Maturity Date.

Early Redemption:

Any time following the first anniversary of the Issue Date, the Company may, if it gives the relevant Bondholder written notice not less than thirty (30) days prior to the proposed redemption date (the “**Early Redemption Date**”) and obtains such Bondholder’s consent within seven (7) Business Days after the date of such written notice, redeem the whole or any part (in multiples of US\$1,000,000) of the principal amount of the Convertible Bond held by such Bondholder (the “**Redemption Portion**”) on the Early Redemption Date.

The Redemption Portion shall be the higher of:

- (a) an amount which, together with the principal amount of the Redemption Portion, and all interest on the Redemption Portion received by the Bondholder from the Company (excluding any default interest as described in the Subscription Agreement), will yield an internal rate of return of 14% per annum on the principal amount of the Redemption Portion for the period from the Issue Date up to the Early Redemption Date; or

- (b) in the event that the average trading price of the Shares on the Stock Exchange in the twenty (20) trading days immediately preceding the Early Redemption Date (the “**Average Trading Price**”) is higher than 130% of the Conversion Price, an amount calculated with the following formula:

$$60\% \times \left[(\text{Average Trading Price} - \text{Conversion Price}) \times \frac{\text{Redemption Portion}}{\text{Conversion Price}} \right]$$

Interest: 6.5% per annum on the principal amount of the Convertible Bonds, which shall accrue daily on a 360-day basis from the Issue Date and will be payable half-yearly.

Transferability: The Convertible Bonds are transferable in integral multiples of US\$1,000,000, upon and subject to the conditions of the Convertible Bonds.

Conversion: Each Bondholder shall have the right (the “**Conversion Right**”) to convert all or any part of the principal amount of its holding of Convertible Bonds for Conversion Shares at any time during the conversion period from the Issue Date to the Maturity Date, provided that the Conversion Rights shall only be exercised to the extent that such exercise will not (a) cause the Company to be unable to meet the public float requirements as required under Rule 8.08 of the Listing Rules or (b) result in change of control (as defined under the Takeovers Code) of the Company.

The number of Conversion Shares to be issued by the Company to the relevant Bondholders on conversion of the Convertible Bonds will be determined by dividing (i) the principal amount of the Convertible Bonds to be converted by (ii) the Conversion Price in effect at the conversion date.

Conversion Price: The Convertible Bonds shall be converted at the Conversion Price. Upon issue of the Convertible Bonds, the initial Conversion Price will be HK\$0.0327 per Conversion Share (subject to adjustments).

The initial Conversion Price of HK\$0.0327 represents:

- (i) a premium of approximately 2.188% over the closing price of HK\$0.0320 per Share as quoted on the Stock Exchange on 27 June 2017, being the date of the Subscription Agreement; and

- (ii) a premium of approximately 2.830% over the average of the closing prices of HK\$0.0318 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 27 June 2017.

The Conversion Price is subject to adjustments upon the occurrence of consolidation, subdivision and reclassification of Shares and other anti-dilution adjustment including but not limited to capitalisation issue, granting of options, warrants or other rights to subscribe for new Shares and issue of convertible and exchangeable securities.

Voting Rights

The holder of the Convertible Bonds will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Bonds.

Ranking:

The Convertible Bonds constitute direct, unsubordinated, unconditional, general and secured obligations of the Company. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable laws, at all times rank at least equally with all of its other present and future direct, general, unsecured, unconditional, unsubordinated obligations.

The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date.

Listing:

The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Security and collaterals:

The Convertible Bonds will be secured by various collaterals (the “**Convertible Bonds Collaterals**”) including share charges of entire issued share capital of several subsidiaries of the Company, charges over the Shares and the Existing CB owned by China OEPC, charge on accounts receivables owed to the Company and land charges over certain lands in Cambodia acquired or to be acquired by the Group.

Guarantee:

The Guarantor shall guarantee the performance of the Company under the Convertible Bonds.

Based on the initial Conversion Price of HK\$0.0327 per Conversion Share, a maximum number of 11,926,605,505 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 16.345% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.049% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Conversion Price

The initial Conversion Price of HK\$0.0327 per Conversion Share represents:

- (i) a premium of approximately 2.188% over the closing price of HK\$0.0320 per Share as quoted on the Stock Exchange on 27 June 2017, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 2.830% over the average of the closing prices of HK\$0.0318 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 27 June 2017.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.0325 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate subscription price of US\$50,000,000 for the Convertible Bonds shall be settled by the Subscriber in cash upon completion.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the General Mandate granted at the annual general meeting of the Company held on 29 May 2017 subject to the threshold of 14,593,492,600 Shares (representing approximately 20% of the number of Shares of the Company in issue as at 29 May 2017). Immediately before the date of the Subscription Agreement, the General Mandate has not been utilized. On the initial conversion price of HK\$0.0327 per Conversion Shares, 11,926,605,505 Conversion Shares will be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds, which will utilise about 82% of the General Mandate.

Conditions precedent of the Subscription

Completion of the Subscription is conditional upon:

- (a) the Subscriber having received to its satisfaction the relevant CB Collaterals documents and the Multi-Party Agreement duly executed by the relevant Obligor;
- (b) the Subscriber having received to its satisfaction evidence that the Security created under each of the relevant CB Collateral documents has been registered, filed or recorded pursuant to applicable law insofar as such formalities are necessary or desirable in the opinion of the Subscriber;
- (c) the Subscriber having received to its satisfaction a formal valuation report on the Cambodia lands to be charged by the Group;
- (d) the Subscriber having conducted on-site investigation on the Cambodia lands and the result of which being satisfactory to the Subscriber;
- (e) the Subscriber having received to its satisfaction the legal opinions relating to the transaction documents under the Subscription Agreement;
- (f) listing of and permission to deal in the Conversion Shares which shall fall to be issued by the Company upon conversion of the Convertible Bonds (or any part thereof) having been granted by the Listing Committee of the Stock Exchange;
- (g) if necessary, the Company having obtained the approval of its Shareholders (or, as the case may be, the independent Shareholders of the Company) of the Subscription Agreement and the transactions contemplated thereunder at a general meeting;
- (h) there not having occurred, in the sole discretion of the Subscriber, any of the following:
 - (i) any event that will cause or likely to cause a material adverse effect;
 - (ii) the outbreak or escalation of hostilities involving the PRC or the declaration by the PRC of a national emergency or war; or
 - (iii) the occurrence of any material adverse change in the existing financial, political or economic conditions in the PRC or the United States or in financial markets in general;
- (i) all other necessary authorisations pursuant to the Listing Rules and applicable law for the consummation of the transactions contemplated in the Subscription Agreement having been obtained by the Company and remain in full force;
- (j) a nominee of the Subscriber has been added as a signatory to the account of the Company into which the Subscription monies to be deposited, such that any operation of such account shall require all the signatures and/or the affixation of chops of the respective nominees of the Subscriber and the Company;

- (k) the Subscriber having received relevant constitutional documents of each corporate Obligor and authorization documents relating to the transaction documents;
- (l) the Company having complied with the terms of the Subscription Agreement in all material respects; and
- (m) all Company's warranties under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect, and all undertakings made by the Company under the transaction documents not having been breached in any material aspect.

In the event that the conditions of the Subscription are not fulfilled within ten (10) Business Days after the date of the Subscription Agreement, or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion of the Subscription

Completion of the Subscription will take place within three (3) business days after the conditions precedent of the Subscription are fulfilled or waived (or on such other date as may be agreed between the parties).

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

MULTI-PARTY AGREEMENT

Pursuant to the Subscription Agreement, the Company and its relevant subsidiaries entered into the Multi-Party Agreement as part of the transaction documents contemplated under the Subscription Agreement.

In accordance with the terms of the Multi-Party Agreement, an event of default under the Convertible Bonds will also constitute event of default under the Onshore Facility Agreement and the Offshore Facility Agreement and will entitle the Subscriber and its associates to enforce its rights under the Convertible Bonds Collaterals and other security documents under the Onshore Facility Agreement and the Offshore Facility Agreement.

An event of default under the Onshore Facility Agreement and/or the Offshore Facility Agreement would not constitute an event of default under the Convertible Bonds and the Company will offer assistance to the Subscriber and its associates to enforce its rights under the relevant security documents under the Onshore Facility Agreement and/or the Offshore Facility Agreement in such an event.

REASONS FOR THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in coal exploration and development (mining operation) and sales of coking coal, provision of coal trading logistics services, development of cassava as a raw material and production of starch, biofuel (ethanol) and their recyclable by-products, and provision of system integration services and software solutions.

The Directors consider raising funds by issuing Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for the future development of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms and conditions of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the Subscription will strengthen the financial position of the Group.

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) after Completion (assuming that there is no other change in the issued share capital of the Company since the date of this announcement).

Shareholders	As at the date of this announcement		After Completion (assuming that there is no other change in the issued share capital of the Company since the date of this announcement) (Note 1)	
	Number of Shares	%	Number of Shares	%
The Subscriber	–	–	11,926,605,505	14.049
China OEPC (Note 2)	18,858,592,257	25.845	18,858,592,257	22.214
Mr. Tse Michael Nam (Note 3)	1,531,642	0.002	1,531,642	0.002
Other Shareholders (Note 4)	132,770,525	0.182	132,770,525	0.156
Public Shareholders	53,974,568,578	73.971	53,974,568,578	63.579
	<u>72,967,463,002</u>	<u>100.000</u>	<u>84,894,068,507</u>	<u>100.000</u>

Notes:

1. For illustrative purpose, it is assumed that a maximum of 11,926,605,505 Consideration Shares will be issued to the Subscriber upon Completion.

2. China OEPC is beneficially owned by Best Growth Enterprises Limited. Best Growth Enterprises Limited is in turn beneficially owned by Mr. Zhang Sanhuo, the Chairman and an executive Director and the Guarantor.
3. Mr. Tse Michael Nam is an executive Director.
4. These Shares are held as to (i) 1,996 Shares by Baofa Industrial Limited; (ii) 58,823,529 Shares by Mr. Guo Min (the beneficial owner of Baofa Industrial Limited); (iii) 42,745,000 Shares by Mr. Wu Daorong; and (iv) 31,200,000 Shares by Hwa Foo Holdings Limited, all of which are shareholders or connected persons of City Bloom Limited. City Bloom Limited is owned indirectly as to 70% by Mr. Zhang Sanhuo and hence a connected person of the Company.

PROPOSED USE OF PROCEEDS

The principal amount of the Convertible Bonds will be US\$50,000,000, approximately US\$35,000,000 of which the Group intends to use for the development of cassava as a raw material and production of starch, biofuel (ethanol) and their recyclable by-products and the remaining of approximately US\$15,000,000 for general working capital purposes.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“China OEPC”	China OEPC Limited, a company incorporated in the British Virgin Islands and beneficially owned by the Guarantor
“Company”	North Asia Resources Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.0327 per Conversion Share (subject to adjustments)

“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the unlisted Convertible Bonds in principal amount of US\$50,000,000 to be issued by the Company in accordance with the terms of the Subscription Agreement
“Directors”	directors of the Company
“Existing CB”	convertible bonds in the aggregate principal amount of HK\$380,000,000 issued by the Company in favour of China OEPC
“General Mandate”	the general mandate granted to the Directors at the annual general meeting held on 29 May 2017, pursuant to which a maximum of 14,593,492,600 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Zhang Sanhuo, an executive Director, the Chairman and substantial Shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Multi-Party Agreement”	the multi-party agreement entered into in an agreed form amongst the (i) Subscriber; (ii) each of the Obligors; (iii) each party to the Offshore Facility Agreement and the underlying security documents and (iv) each party to the Onshore Loan Agreement and the underlying security documents
“Obligors”	the Company, the Guarantor, the relevant subsidiaries of the Group and any party to relevant transaction documents granting security in favour of the Subscriber
“Offshore Facility Agreement”	the offshore facility agreement to be entered into between the Subscriber as lender and a company controlled by the Guarantor as borrower in respect of offshore loan facility of US\$60,000,000
“Onshore Facility Agreement”	the onshore facility agreement to be entered into between the Subscriber’s onshore associate as lender and a company controlled by the Guarantor as borrower in respect of onshore loan facility of US\$40,000,000
“PRC”	the People’s Republic of China

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Huarong Macau (HK) Investment Holdings Limited, a company incorporated in Hong Kong and the subscriber to the Subscription Agreement
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 27 June 2017 and entered into between the Company and the Subscriber in respect of the Subscription
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By the order of the Board of
North Asia Resources Holdings Limited
Mr. Zhang Sanhuo
Chairman

Hong Kong, 27 June 2017

As at the date of this announcement, Mr. Zhang Sanhuo, Mr. Huang Boqi and Mr. Tse Michael Nam are the executive Directors, Mr. Zou Chengjian is the non-executive Director and Ms. Leung Yin Fai, Mr. Leung Po Wing, Bowen Joseph GBS, JP and Mr. Zhou Chunsheng are the independent non-executive Directors.