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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)**

- (1) VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE ENTIRE  
ISSUED SHARE CAPITAL OF LEXING HOLDINGS LIMITED;**
- (2) VERY SUBSTANTIAL DISPOSAL AND  
CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED  
SHARES OF AND THE SHAREHOLDER'S LOAN DUE BY  
NORTH ASIA RESOURCES GROUP LIMITED AND  
GOOD LOYAL GROUP LIMITED;**
- (3) SUBSCRIPTION OF ORDINARY SHARES AND  
CONVERTIBLE PREFERENCE SHARES  
BY BUSINESS ALLY INVESTMENTS LIMITED;**
- (4) ALTERATION OF THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS; AND**
- (5) RESUMPTION OF TRADING**

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## THE TRANSACTIONS

On 12 June 2012, Guang Cheng, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement in relation to the acquisition of the Lexing Sale Share from City Bloom. Contemporaneously with the signing of the Acquisition Agreement, the Company entered into the Disposal Agreement in relation to the sale of the NARG Sale Shares, the GLG Sale Share and the Sale Loan to Mountain Sky. To facilitate the payment of the consideration for the Disposal, Mountain Sky and City Bloom also entered into the Mountain Sky Agreement in relation to the Share Sale by Mountain Sky to City Bloom at a consideration of HK\$600 million contemporaneously with the entering into of the Acquisition Agreement and the Disposal Agreement.

The aggregate consideration of the Acquisition (i.e. for the Lexing Sale Share) shall be HK\$4,662 million, of which (i) HK\$600 million will be deemed to have been authorised by City Bloom to be applied towards the payment of an equivalent amount payable by City Bloom to Mountain Sky pursuant to the Mountain Sky Agreement to satisfy the consideration payable by City Bloom in relation to the Share Sale; (ii) HK\$400 million by way of cash and/or issue of the Promissory Notes to City Bloom (or such person(s) as nominated by City Bloom); and (iii) as to the remaining balance of HK\$3,662 million by way of allotment and issue to City Bloom (or such person(s) as nominated by City Bloom) of the Consideration Shares, credited as fully paid, at an issue price of HK\$0.17 per Consideration Share and/or issue to City Bloom (or such person(s) as nominated by City Bloom) of the Consideration Bonds. The number of Consideration Shares issued, together with the Shares held by City Bloom and parties acting in concert with it at Completion, shall represent 29.9% of the enlarged issued share capital of the Company upon Completion.

The aggregate consideration of the Disposal (i.e. for the NARG Sale Shares, the GLG Sale Share and the Sale Loan) is HK\$600 million which shall be settled by the application of the payment of an equivalent amount payable by Guang Cheng to City Bloom pursuant to the Acquisition Agreement to satisfy part of the consideration of the Acquisition, which will be authorised by City Bloom to be applied towards the payment of an equivalent amount payable by City Bloom to Mountain Sky pursuant to the Mountain Sky Agreement to satisfy the consideration of the Share Sale; and which sum, in turn, will be authorised by Mountain Sky to be applied towards the payment of the equivalent amount payable by Mountain Sky to the Company as the consideration of the Disposal.

On 6 September 2012, the Company and Business Ally entered into the Subscription Agreement in relation to the Subscription. The Company, Business Ally and City Bloom also entered into the Third Supplemental Agreement in relation to the Proposed Alteration on the even date. Business Ally conditionally gave its consent to the entering into of the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement by the relevant parties and has further confirmed that the entering into of the aforesaid agreements and the transactions contemplated thereunder would not constitute any breach to the existing terms of the US\$30M Convertible Bonds.

The consideration for the Subscription payable by Business Ally to the Company shall be satisfied by setting off against the aggregate of (a) US\$15,000,000 principal amount of the Set-Off Convertible Bonds; and (b) the difference between (i) an amount that would yield the IRR at the rate of 18% calculated on the Set-Off Convertible Bonds from the issue date of the US\$30M Convertible Bonds up to and including the date of completion of the Subscription (such amount shall take into account any interest (other than default interest) previously paid with respect to the Set-Off Convertible Bonds), and (ii) interest on the Set-Off Convertible Bonds accrued from the date of the last interest payment (i.e. 14 March 2012) up to and including the date of completion of the Subscription at the rate of 8% per annum.

The Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement are inter-conditional on each other.

## **LISTING RULES IMPLICATIONS**

With respect to the Acquisition, as the relevant percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. Since Mr. Zhang is a proposed Director and owns 70% of the equity interest in City Bloom, the Acquisition also constitutes a connected transaction for the Company under Rule 14A.13(b)(i) of the Listing Rules and is thus subject to the Independent Shareholders' approval by way of poll at the SGM.

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As Mountain Sky is a substantial Shareholder, Mountain Sky is a connected person of the Company under the Listing Rules and thus the Disposal constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM.

The issue of the Subscription CPS, the Subscription Ordinary Shares and the Conversion Shares (as converted from the Subscription CPS) under the Subscription Agreement, and the Consideration Shares and Conversion Shares (as converted from the Consideration Bonds) under the Acquisition Agreement are subject to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, the Proposed Alteration shall be subject to the approval of the Stock Exchange. The Company will apply to the Stock Exchange for the approval of the Proposed Alteration. Since the Proposed Alteration will constitute a material change to the terms and conditions of the US\$30M Convertible Bonds, besides approval from the Stock Exchange, the Independent Shareholders' approval will also be required.

As the respective completion of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the Third Supplemental Agreement are conditional upon each other, City Bloom, Mountain Sky, Ultra Asset, Business Ally and their respective associates (to the extent where they are Shareholders) are required to abstain from voting in respect of the resolutions to approve the Acquisition, the Disposal, the Subscription and the Proposed Alteration at the SGM.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, and the transactions contemplated thereunder, the Third Supplemental Agreement, the Proposed Alteration and the Specific Mandate.

The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the transactions contemplated thereunder, the terms of the Third Supplemental Agreement, the Proposed Alteration and the Specific Mandate. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) details of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement, the Proposed Alteration, the Share Sale and the Specific Mandate; (ii) the competent person's report on the Coal Mines; (iii) the valuation reports of the Lexing Group and the Disposal Group; (iv) the financial information of the Lexing Group and the Disposal Group; (v) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (vi) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (vii) the notice to convene the SGM; and (viii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 30 November 2012 as additional time is required for the preparation and finalisation of, among other things, the competent person's report on the Coal Mines, the valuation report of the Lexing Group and the Disposal Group, and the financial information of the Lexing Group and the Disposal Group for inclusion in the circular.

**Shareholders and investors should note that Completion is subject to various conditions as stated in the sections headed "Conditions precedent to the Acquisition Agreement", "Conditions precedent to the Disposal Agreement", "Conditions precedent to the Subscription Agreement" and "Conditions precedent to the Third Supplemental Agreement". The Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the transactions contemplated thereunder, the Third Supplemental Agreement and the Proposed Alteration may or may not proceed. Shareholders and investors are therefore urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 June 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 9 October 2012.

### **I. INTRODUCTION**

Reference is made to the announcements of the Company dated 10 February 2011, 27 March 2012 and 4 July 2012 in relation to the negotiations on a possible acquisition and a possible disposal of certain mining assets. Reference is also made to the announcements of the Company dated 15 December 2011, 3 January 2012 and 6 January 2012, and the circular of the Company dated 8 February 2012 respectively in relation to the alteration of certain terms and conditions of the US\$30M Convertible Bonds. Reference is also made to the announcement of the Company dated 27 August 2012 in relation to the Claims.

On 12 June 2012, Guang Cheng, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement in relation to the acquisition of the Lexing Sale Share from City Bloom. Contemporaneously with the signing of the Acquisition Agreement, the Company entered into the Disposal Agreement in relation to the sale of the NARG Sale Shares, the GLG Sale Share and the Sale Loan to Mountain Sky. To facilitate the payment of the consideration for the Disposal, Mountain Sky and City Bloom also entered into the Mountain Sky Agreement in relation to the Share Sale contemporaneously with the entering into of the Acquisition Agreement and the Disposal Agreement.

On 6 September 2012, the Company and Business Ally entered into the Subscription Agreement in relation to the Subscription. The Company, Business Ally and City Bloom also entered into the Third Supplemental Agreement in relation to the Proposed Alteration on the even date. Business Ally conditionally gave its consent to the entering into of the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement by the relevant parties and has further confirmed that the entering into of the aforesaid agreements and the transactions contemplated thereunder would not constitute any breach to the existing terms of the US\$30M Convertible Bonds.

The Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement are inter-conditional on each other. Principal terms of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement are set out below.

## II. THE ACQUISITION

### The Acquisition Agreement

**Date** : 12 June 2012

### *Parties*

Vendor : City Bloom

Purchaser : Guang Cheng, a wholly-owned subsidiary of the Company

City Bloom is principally engaged in investment holding. 70% of the equity interest in City Bloom is indirectly owned by Mr. Zhang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, City Bloom and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### *Subject matters*

Pursuant to the Acquisition Agreement, Guang Cheng conditionally agreed to acquire and City Bloom conditionally agreed to sell the Lexing Sale Share which represents the entire issued share capital of Lexing. Lexing is the indirect beneficial owner of a 49% equity interest in Shanxi Coal which is principally engaged in the operation of the Coal Mines through the PRC Mine Companies as follows:

- (i) Bolong, a 95%-owned subsidiary of Shanxi Coal and holder of the mining license of the Bolong Mine;
- (ii) Liaoyuan, a wholly-owned subsidiary of Shanxi Coal and holder of the mining license of the Liaoyuan Mine;
- (iii) Xinfeng, a wholly-owned subsidiary of Shanxi Coal and holder of the mining license of the Xinfeng Mine;
- (iv) Fuchang, a 69.4%-owned subsidiary of Shanxi Coal and holder of the mining license of the Fuchang Mine; and
- (v) Jinxin, a wholly-owned subsidiary of Shanxi Coal and holder of the mining license of the Jinxin Mine.



Upon completion of the Acquisition, Lexing will become a subsidiary of the Company and the financial results of the PRC Mine Companies will be consolidated into the Group's financial results. Such accounting treatment is based on the opinions of the PRC legal advisers and the auditors of Lexing on the basis that (i) Lexing is entitled to appoint a majority in number of the board members of Shanxi Coal; (ii) board resolutions of Shanxi Coal are to be approved by a majority of all the board members in accordance with the bye-laws of Shanxi Coal; and (iii) Lexing is able to control Shanxi Coal through its control over a majority vote in board meetings of Shanxi Coal despite the fact that it only holds a 49% equity interest in Shanxi Coal.

### ***Consideration***

The aggregate consideration for the Lexing Sale Share shall be HK\$4,662 million, which shall be payable by the Company to City Bloom in the following manner:

- (i) HK\$600 million will be deemed to have been authorised by City Bloom to be applied towards the payment of an equivalent amount payable by City Bloom to Mountain Sky pursuant to the Mountain Sky Agreement to satisfy the consideration payable by City Bloom in relation to the Share Sale; and which sum, in turn, will be authorised by Mountain Sky to be applied towards the payment of an equivalent amount payable by Mountain Sky to the Company pursuant to the Disposal Agreement to satisfy the consideration payable by Mountain Sky to the Company for the acquisition of the Disposal Group;
- (ii) HK\$400 million by way of (a) a cashier order drawn by a licensed bank in Hong Kong or by wire transfer of such sum to the bank account designated by City Bloom; and/or (b) issue of the Promissory Notes to City Bloom (or such person(s) as nominated by City Bloom). Further details of the Promissory Notes are set out in the section headed "Promissory Notes" below; and
- (iii) as to the remaining balance of HK\$3,662 million:
  - (a) by way of allotment and issue to City Bloom (or such person(s) as nominated by City Bloom) of the Consideration Shares, credited as fully paid, at an issue price of HK\$0.17 per Consideration Share. The number of Consideration Shares issued, together with the Shares held by City Bloom and parties acting in concert with it at Completion, shall represent 29.9% of the enlarged issued share capital of the Company upon Completion; and
  - (b) (if after the payment of cash and issue and allotment of the Consideration Shares in (i), (ii) and (iii)(a) above, there shall remain any consideration of the Acquisition payable) as to the remaining balance of the consideration of the Acquisition, by way of issue to City Bloom (or such person(s) as nominated by City Bloom) of the Consideration Bonds. Details of the Consideration Bonds are set out in the section headed "Consideration Bonds" below.

The consideration for the Acquisition was determined after arm's length negotiations between Guang Cheng and City Bloom taking into account of, among other things, (i) the aggregate estimated in-place resource and the aggregate estimated marketable reserve of the Coal Mines of 87.87 million tonnes and 43.37 million tonnes respectively as contained in the draft competent person's report dated 16 March 2012 prepared by Mr. Ronald L. Lewis of John T. Boyd Company, a competent person under Chapter 18 of the Listing Rules, together with his team; (ii) the draft valuation of 49% equity interest in Shanxi Coal of approximately RMB5,278 million (equivalent to approximately HK\$6,516.0 million) as at 29 February 2012 prepared by Greater China using the income approach; (iii) a discount of approximately 28.5% to the valuation of the PRC Mine Companies over the consideration for the Lexing Sale Share; and (iv) the development prospects of the Coal Mines.

The Company believes that the Acquisition will diversify its mineral resources holdings and contribute a steady revenue stream as the improvement works of the Coal Mines are expected to be completed by the first quarter of 2013 and production of the Coal Mines are expected to begin by the first half of 2013. The aforesaid competent person's report and valuation report will be included in the circular of the Company in relation to, among other things, the Transactions to be despatched to the Shareholders.

Having considered the above and the factors described under the section headed "Reasons for the Transactions" below, the Directors (other than the members of the Independent Board Committee whose view will be set out in the circular to be despatched to the Shareholders after receiving the advice of the independent financial adviser) are of the view that the Consideration is fair and reasonable.

### ***Promissory Notes***

Pursuant to the Acquisition Agreement, the Company will issue the Promissory Notes (as the case may be) in a maximum principal amount of HK\$400 million to City Bloom (or its nominee(s)) as part payment of the consideration of the Acquisition.

The Promissory Notes shall bear interest from the date of issue at a fixed rate of 5% per annum which will accrue on the principal amount of the Promissory Notes and be paid on the maturity date of the Promissory Notes. The Promissory Notes will mature on the date of the third anniversary from the date of the issue of the Promissory Notes. At any time prior to the maturity date of the Promissory Notes, Guang Cheng may, by giving not less than 14 days' written notice to City Bloom, redeem and prepay the Promissory Notes outstanding or any part thereof, provided that each such prepayment must be in the sum of not less than HK\$1 million and in integral multiples of HK\$1 million. No interest shall be accrued and payable in respect of the principal amount of the Promissory Notes which has been prepaid by Guang Cheng. Such term provides flexibility to the Company in repayment of the principal amount of the Promissory Notes or part thereof before maturity as and when the Company sees fit.



### ***Consideration Shares***

Pursuant to the Acquisition Agreement, the number of Consideration Shares to be issued to City Bloom (or its nominee(s)), which together with the Shares held by City Bloom and parties acting in concert with it, will be 29.9% of the enlarged issued share capital of the Company at Completion. The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including voting right, and the right to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue. For illustration purpose, the maximum number of Consideration Shares to be issued is 21,541,176,471 which is calculated by dividing the remaining balance of the consideration of the Acquisition after deducting (i) the settlement of HK\$600 million under the Mountain Sky Agreement; and (ii) the cash payment and/or issue of the Promissory Notes of HK\$400 million, by the issue price of HK\$0.17 per Consideration Share, and assuming no Consideration Bonds is issued. The maximum number of Consideration Shares to be issued represents approximately 1,892.9% of the issued share capital of the Company as at the date of this announcement and approximately 81.8% of the enlarged share capital of the Company on Completion and full conversion of the convertible securities of the Company.

The Consideration Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### ***Consideration Bonds***

Pursuant to the Acquisition Agreement, the Company will issue the Consideration Bonds to City Bloom (or its nominee(s)) for settlement of part of the consideration of the Acquisition upon Completion.

The terms of the Consideration Bonds have been negotiated on an arm's length basis and are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$3,662 million at maximum, which is equivalent to the remaining balance of the consideration of the Acquisition after deducting (i) the settlement of HK\$600 million under the Mountain Sky Agreement; and (ii) the cash payment or issue of the Promissory Notes of HK\$400 million.

Interest:	<p>The holder(s) of the Consideration Bonds shall be entitled to interest at the rate equal to the rate of dividend per Share from time to time declared and paid by the Company to the Shareholders as if the Consideration Bonds have been converted in full into Conversion Shares. The interest (if any) shall be payable to the holder(s) of the Consideration Bonds at the same time when the relevant dividend is payable to the Shareholders.</p> <p>For the avoidance of doubt, (i) if no dividend is payable to the Shareholders for a particular year or period, or (ii) prior to the date of closure of the register of members of the Company for the purpose of determining the identity of the holder of its ordinary Shares who are entitled to the dividend (if any), the relevant Consideration Bond has been converted in full into Conversion Shares or redeemed after the relevant conversion notice or notice of redemption (as the case may be) has been duly given in accordance with the conditions of the Consideration Bonds, no interest will be payable to the holder(s) of the Consideration Bonds.</p>
Maturity:	<p>The date falling five years after the date of issue of the Consideration Bonds.</p>
Conversion price:	<p>The initial conversion price is HK\$0.17 per Share (subject to adjustment) and is determined after arm's length negotiations between the Company and City Bloom with reference to the net assets value per Share on a fully diluted basis upon Completion.</p>
Conversion rights:	<p>The holder(s) of the Consideration Bonds has/have the right to convert the Consideration Bonds into Conversion Shares in amounts not less than a whole multiple of HK\$500,000 during the period from the day immediately following the issue date up to 4:00 p.m. on the maturity date of the Consideration Bonds, provided that as a result of such conversion, (i) City Bloom and parties acting in concert with it shall not in aggregate own more than 29.9% in all the issued Shares (or any other voting right percentage which triggers a mandatory general offer under the Takeovers Code); and (ii) public float of the Shares shall not be less than 25% of all the issued Shares.</p>
<p>Ranking of the Conversion Shares:</p>	<p>The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.</p>

Ranking of the Consideration Bonds:	The Consideration Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu and ratably without preference among themselves, and rank at least equally with all other present and future unsubordinated and unsecured obligations of the Company.
Transferability:	The Consideration Bonds will be transferable to any person in whole multiples of HK\$500,000 provided that if the transfer is made to a connected person (as defined under the Listing Rules) of the Company, such transfer shall not be made without the prior written consent of the Company and shall comply with the requirements under the Listing Rules.
Voting rights:	The Consideration Bonds do not confer any voting rights on the holder(s) of the Consideration Bonds (prior to the conversion of the Consideration Bonds into the Conversion Shares) at any meeting of the Company.
Early redemption:	The Company shall have the right by serving a prior written notice not less than seven Business Days on holder(s) of the Consideration Bonds with the total amount proposed to be redeemed from the holder(s) of the Consideration Bonds (in amounts of not less than a whole multiple of HK\$500,000) at 100% of the principal amount of the Consideration Bonds during the period commencing from six months following the issue date to the maturity date of the Consideration Bonds.
Adjustments to the conversion price:	<p>The conversion price of the Consideration Bonds will be adjusted in accordance with the relevant provisions under the terms and conditions of the Consideration Bonds upon occurrence of, including but not limited to, the following events:</p> <ul style="list-style-type: none"> <li>(i) there shall be an alteration to the nominal value of the Shares by reason of any consolidation or subdivision;</li> <li>(ii) the Company shall issue any Shares credited as fully paid by way of capitalisation 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 capital distribution;</li> <li>(iii) the Company shall make any capital distribution to Shareholders or shall grant to such Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;</li> </ul>

- (iv) the Company shall offer or grant to all or substantially all Shareholders new Shares for subscription by way of rights, or any options or warrants or other rights to subscribe for new Shares at a price per Share which is less than 95% of the market price on the last dealing day preceding the date of the announcement of the terms of the offer or grant;
- (v) the Company shall issue any securities or grant any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights;
- (vi) the Company shall issue (other than as mentioned in paragraph (iv) above) any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion ratio, or exchange or subscription for Shares) or issue or grant (other than as mentioned in paragraph (iv) above) any options or warrants or other rights to subscribe for or purchase Shares at a price per Share which is less than 95% of the market price at the date of the announcement of the terms of such issue;
- (vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms herein, the Company or any of its subsidiary shall issue (otherwise than as mentioned in paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiary) any other company, person or entity, shall issue wholly for cash any securities (other than the Consideration Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription, at a price per Share which is less than 95% of the market price at the date of the announcement of the terms of such issue;

- (viii) there shall be any modification of the right of conversion, exchange or subscription of Shares attaching to the securities of the Company (other than in accordance with the terms applicable to such securities of the Company) so that the consideration per Share receivable by the Company is less than 95% of the market price at the date of the announcement of the terms of such issue; or
- (ix) shall there be any arrangement in respect of issue, transfer or distribution of any securities of the Company in connection with an offer pursuant to which Shareholders generally (i.e. the holders of at least 60% of the Shares outstanding) are entitled to participate in such arrangements whereby such securities of the Company may be acquired by them.

If either the Company or the holder(s) of the Consideration Bonds holding not less than 75% in value of the outstanding principal amount of the Consideration Bonds determine that an adjustment should be made to the conversion price of the Consideration Bonds as a result of one or more events or circumstances not referred to in the abovementioned events, the Company shall request an approved merchant bank, at the expense of the Company, to determine (acting as experts) as soon as practicable what adjustment (if any) to the conversion price of the Consideration Bonds is fair and reasonable and the date on which such adjustment should take effect.

Application for listing:

No application will be made for the listing of the Consideration Bonds.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares to be issued and allotted upon exercise of the conversion rights attaching to the Consideration Bonds.

Upon the exercise in full of the conversion rights attaching to the Consideration Bonds at the initial conversion price of HK\$0.17 per Share, the Company will issue up to a maximum of 21,541,176,471 Shares pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM, which represents approximately 1,892.9% of the issued share capital of the Company as at the date of this announcement and approximately 81.8% of the enlarged share capital of the Company on Completion and full conversion of the convertible securities of the Company.

## ***Comparisons***

The Issue Price of HK\$0.17 per Share represents:

- (i) a discount of approximately 39.3% to the closing price of HK\$0.280 per Share as quoted in the daily quotation sheets of the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 37.0% to the average of the closing prices of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date of HK\$0.270 per Share;
- (iii) a discount of approximately 35.1% to the average of the closing prices of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date of approximately HK\$0.262 per Share;
- (iv) a discount of approximately 35.8% to the average closing price of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date of approximately HK\$0.265 per Share;
- (v) a discount of approximately 46.7% to the net assets value attributable to equity holders of the Company of approximately HK\$0.319 per Share as at 31 December 2011 based on the audited financial statements of the Group for the year ended 31 December 2011; and
- (vi) a discount of approximately 36.3% to the net assets value attributable to equity holders of the Company of approximately HK\$0.267 per Share as at 30 June 2012 based on the unaudited financial statements of the Group for the six months ended 30 June 2012.

The Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to (i) the average closing prices of the Shares since 6 March 2012 (being the date of signing of a non-legally binding memorandum of understanding between the Company and the Vendor in relation to the possible Acquisition) and up to the Last Trading Date; (ii) the substantial size of the Consideration Shares to be issued as part of the Consideration; and (iii) the net assets value of the Group as at 31 December 2011. Based on the above, the Directors (other than the members of the Independent Board Committee whose view will be set out in the circular to be despatched to the Shareholders after receiving the advice of the independent financial adviser) consider the Issue Price to be fair and reasonable.



### ***Conditions precedent to the Acquisition Agreement***

Completion of the Acquisition is conditional upon fulfillment or waiver of the following conditions:

- (a) receipt by Guang Cheng from its PRC legal adviser a copy of a legal opinion on specific areas of the PRC laws covering the following major issues:
  - (i) each of the PRC Companies has been duly organised and validly exists under the laws of the PRC (except for each of Bolong, Xinfeng and Fuchang which has not obtained their respective business license);
  - (ii) the PRC Mine Companies have received the mining licenses in respect of the Coal Mines and such mining licenses have not been revoked; and
  - (iii) such other matters as reasonably required by Guang Cheng;
- (b) the Share Sale becoming unconditional (other than the condition that the Acquisition Agreement becoming unconditional) and having been completed in accordance with its terms;
- (c) the Disposal becoming unconditional (other than the condition that the Acquisition Agreement becoming unconditional) and having been completed in accordance with its terms;
- (d) (i) the entering into each of the Subscription Agreement and the Third Supplemental Agreement and (ii) the Subscription Agreement and the Third Supplemental Agreement becoming unconditional (other than the condition that the Acquisition Agreement becoming unconditional) and having been completed immediately before or contemporaneously with the completion of the Acquisition in accordance with their terms;
- (e) the passing of ordinary resolution(s) at the SGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Acquisition Agreement and the transactions contemplated thereunder;
- (f) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other creditors or relevant third parties and all registration and filing procedures in connection with the Acquisition having been obtained;
- (g) Guang Cheng being reasonably satisfied, from the date of the Acquisition Agreement and at any time before completion of the Acquisition, that the representations and warranties given by City Bloom under the Acquisition Agreement remain true and accurate in all material respects and is not misleading and that there is no breach in any material respect of the representations and warranties given by City Bloom under the Acquisition Agreement or other provisions of the Acquisition Agreement by City Bloom;

- (h) Guang Cheng being reasonably satisfied that, from the date of the Acquisition Agreement to completion of the Acquisition, there has not been any material adverse change on the financial position, business or property, results of operations or prospects of the Lexing Group;
- (i) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Consideration Shares, the Consideration Bonds (if required) and the Conversion Shares, which may be issued upon the exercise of the conversion rights attaching to such Consideration Bonds;
- (j) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares, which may be issued upon the exercise of the conversion rights attaching to the Consideration Bonds;
- (k) the Acquisition Agreement and the transactions contemplated thereunder not being considered by the Stock Exchange or the SFC (where appropriate) as a “reverse takeover” or “new listing” as defined in the Listing Rules or triggering the requirement for the making of a general offer under rule 26 of the Takeovers Code;
- (l) (i) trading in the Shares on the Stock Exchange not having been suspended for a period of more than 15 consecutive trading days disregarding any suspension for the purposes of clearing any announcement and circular in relation to the Acquisition by the regulatory authorities; (ii) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion; (iii) there being no indication from the Stock Exchange or the SFC that listing of the Shares will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated by the Acquisition Agreement or otherwise;
- (m) City Bloom being reasonably satisfied, from the date of the Acquisition Agreement and at any time before Completion, that the representations and warranties given by Guang Cheng under the Acquisition Agreement remain true and accurate in all material respects and is not misleading and that there is no breach in any material respect of the representations and warranties given by Guang Cheng under the Acquisition Agreement or other provisions of the Acquisition Agreement by Guang Cheng;
- (n) City Bloom being reasonably satisfied that, from the date of the Acquisition Agreement and at any time before Completion, there has not been any material adverse change on the financial position, business or property, results of operations or prospects of the Remaining Group;

- (o) the issue of a competent person's report to the reasonable satisfaction of the parties to the Acquisition Agreement prepared in accordance with the Listing Rules showing that the Coal Mines will have reserves of not less than 40 million tonnes and Guang Cheng having obtained a valuation report issued by a qualified valuer acceptable to Guang Cheng showing that the value of the PRC Mine Companies is not less than RMB4,500 million;
- (p) City Bloom being reasonably satisfied with, having received from Guang Cheng not less than five Business Days prior to Completion, (i) the unaudited consolidated management accounts of the Remaining Group for the six months ended 30 June 2012 reviewed by the auditors of the Company; and (ii) the unaudited consolidated management accounts of the Remaining Group for the period commencing from 1 January 2012 to the last date of the second last calendar month prior to Completion together with confirmations issued by the relevant banks stating as at the last date of the last calendar month prior to Completion the balance of all bank accounts maintained by the Remaining Group companies and (if any) the outstanding loans and any other payments due to the banks;
- (q) City Bloom being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that City Bloom considers relevant) on the Remaining Group and their related businesses, assets, liabilities, activities, operations, prospects and other status which City Bloom, its agents or professional advisers may reasonably require;
- (r) Guang Cheng being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, valuation, operational or other aspects that Guang Cheng considers relevant) on the Lexing Group and their related businesses, assets, liabilities, activities, operations, prospects and other status which Guang Cheng, its agents or professional advisers may reasonably require; and
- (s) (i) the Claims and/or in (if any) any other claims, actions or proceedings which are against the defendants named in the Action and/or any of City Bloom or Business Ally or their respective affiliates and arising from the circumstances set out in the Action which, in the reasonable opinion of City Bloom, have adversely affected or will adversely affect the Acquisition and the transactions contemplated under the Acquisition Agreement (collectively the “**Indemnified Claims**”) having been dealt with by the relevant parties, in such a manner as agreed by the parties to the Acquisition Agreement; and (ii) the entering into of a deed of indemnification by (A) Ultra Asset and Mountain Sky in favour of City Bloom, the Company and Guang Cheng in the form and substance to the satisfaction of City Bloom; and (B) Ultra Asset in favour of Business Ally in the form and substance to the satisfaction of Business Ally, pursuant to which Ultra Asset and/or Mountain Sky (as the case may be) shall undertake to indemnify City Bloom, Business Ally and the Company and their subsidiaries (including Guang Cheng) against any and all losses, costs, damages, liens, claims, liabilities or expenses in connection with the Indemnified Claims.

Guang Cheng may at its absolute discretion at any time waive in writing any of the above conditions in (a), (g), (h), (o) and (r) above and such waiver may be made subject to such reasonable terms and conditions as are determined by Guang Cheng.

City Bloom may at its absolute discretion at any time waive in writing any of the conditions in (m), (n), (p), (q) and (s) above and such waiver may be made subject to such reasonable terms and conditions as are determined by City Bloom.

Up to the date of this announcement, neither Guang Cheng nor City Bloom intends to waive any of the conditions precedents to the Acquisition Agreement.

If any of the above conditions (other than condition (d)(i)) has not been fulfilled (or waived where appropriate) by the parties on or before 5:00 p.m. on 31 December 2012 (or such later date as the parties to the Acquisition Agreement may agree in writing) or condition (d)(i) has not been fulfilled by the parties on or before 5:00 p.m. on 7 September 2012, the Acquisition Agreement shall lapse and thereafter neither party to the Acquisition Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

In respect of the fulfillment of condition precedent (s)(i), the parties to the Acquisition Agreement will consider all possible arrangements to deal with the Claims in a manner which aims to balance the interests of all parties. This may include, but not necessarily be, a full and final settlement of or a successful strike-off of the Claims. In any event, the final arrangement of dealing with the Claims has to be mutually agreed by City Bloom and Guang Cheng in order to fulfill this condition. The Company believes that this arrangement is fair and reasonable and in the interests of the Shareholders as a whole given that (i) the reliefs in the Claims are mainly sought from Ultra Asset and/or Mountain Sky; and (ii) the Company has been given an expressed undertaking by Ultra Asset and Mountain Sky, pursuant to which the Company and its subsidiaries will be indemnified against, among others, all losses in connection with the Indemnified Claims. In addition, as stated in the announcement of the Company dated 27 August 2012, after consultations with the Company's BVI legal advisers, the Company considers that the Claims against the Company are unmeritorious and without any justifiable basis. As such, the Company believes that City Bloom and Guang Cheng would be able to agree on an acceptable arrangement to fulfill this condition.

As at the date of this announcement, (i) the PRC Mine Companies have received the mining licenses in respect of the Coal Mines and such mining licenses have not been revoked as required under condition (a)(ii); (ii) each of the Subscription Agreement and the Third Supplemental Agreement was entered into on 6 September 2012 as required under condition (d)(i); and (iii) the deeds of indemnification were entered into by respective parties which have been duly executed and delivered under condition (s)(ii). Save as disclosed, no other condition precedent under the Acquisition Agreement has been fulfilled as at the date of this announcement.

### ***Completion of the Acquisition***

Completion of the Acquisition shall take place on the third Business Day after the fulfillment or waiver (as the case may be) of the last of the conditions precedent to the Acquisition Agreement (or such other date as the parties to the Acquisition Agreement may agree in writing). Upon completion of the Acquisition, Lexing will become a subsidiary of the Company.

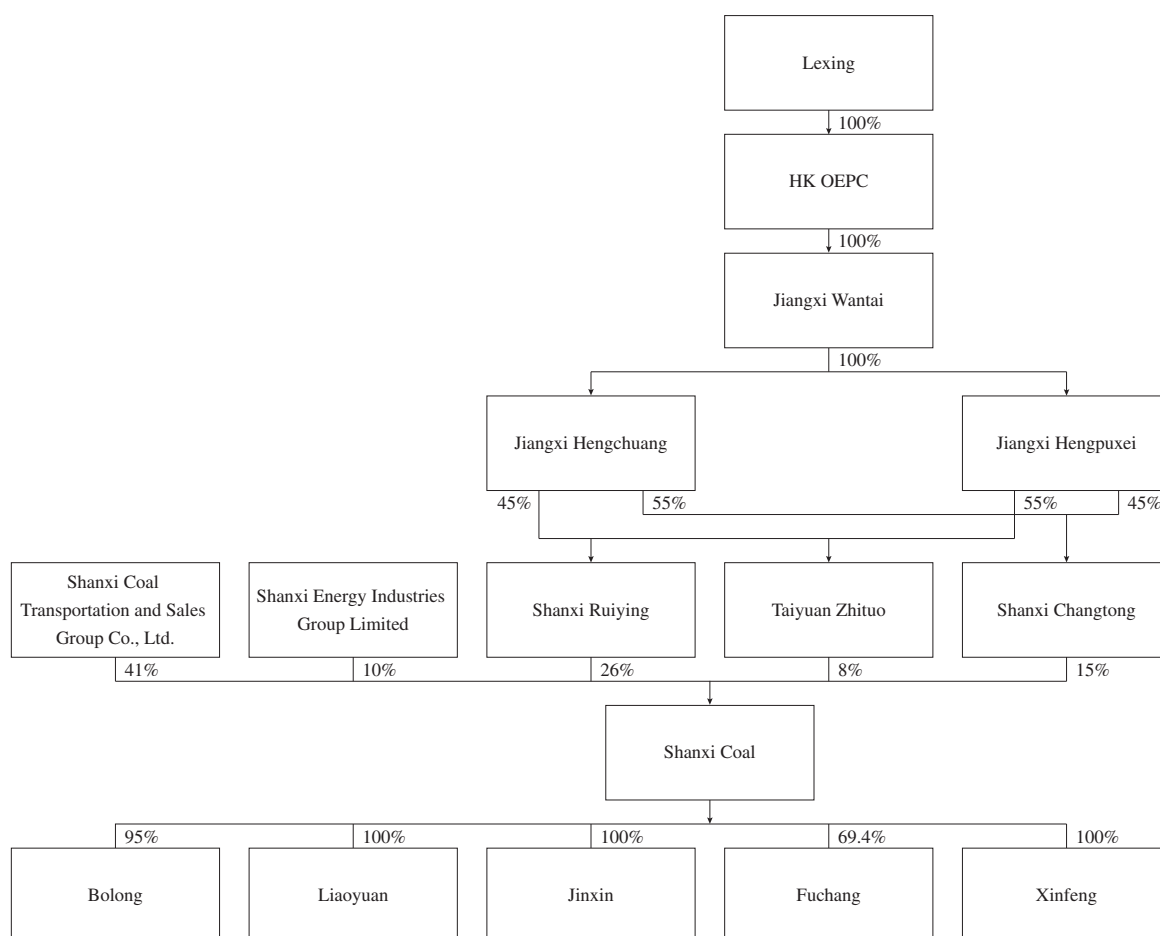
Pursuant to the terms of the Acquisition Agreement, Guang Cheng shall procure the Company to convene a meeting of the Board for the passing of all necessary resolutions to approve, among other things, the appointment of two executive Directors and one non-executive Directors nominated by the holders of the Consideration Shares and the Conversion Shares. As advised by City Bloom, Mr. Zhang would be one of the proposed candidates of the Directors for such purpose. Upon Completion, the nominees of City Bloom (but in any event not more than three persons) shall be appointed as two executive Directors and one non-executive Director of the Company, respectively, with effect from the date of Completion. The Board will assess the qualification and experience of such proposed Directors and include sufficient information in the circular to be despatched to the Shareholders in respect of the Transactions to enable the Independent Shareholders to make a properly informed voting decision to consider and, if thought fit, approve the Acquisition (including the appointment of the proposed Directors).

The respective completions of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement shall take place simultaneously.

## Information on the Lexing Group

### *Information about Lexing*

Lexing is a company incorporated in the BVI and is a wholly-owned subsidiary of City Bloom. Lexing is an investment holding company and its principal assets are its investments, being an indirect 49% interest in Shanxi Coal through its wholly-owned subsidiaries. Shanxi Coal indirectly holds the respective controlling equity interest in the PRC Companies which are principally engaged in the exploration and exploitation of coal products including coking coal in the PRC. The group structure of the Lexing Group as at the date hereof is set out below:





### ***Information about HK OEPC and other intermediate holding companies of Shanxi Coal***

HK OEPC is a company incorporated in Hong Kong and a wholly-owned subsidiary of Lexing. The principal activity of HK OEPC is investment holding and its principal asset is its 100% interest in Jiangxi Wantai.

Jiangxi Wantai is a wholly foreign-owned enterprise established in the PRC on 24 June 2010, with an operation period of 20 years therefrom. Its business scope includes, among other things, coal mining operation (with permit valid until 3 November 2013), machinery wholesaling and trading, provision of consultancy services for energy projects, development and promotion of green energy and battery products, and energy recycling. The principal assets of Jiangxi Wantai are its 100% shareholdings in each of Jiangxi Hengchuang and Jiangxi Hengpuwei.

Jiangxi Hengchuang is a company established in the PRC on 9 June 2010 with an operation period of 10 years therefrom. Its business scope includes, among other things, sale of energy equipment, investment in, planning, research and development and promotion of energy related projects, and investment management and consultancy services. The principal assets of Jiangxi Hengchuang are its 45% interests in each of Shanxi Ruiying and Taiyuan Zhituo and its 55% interest in Shanxi Changtong.

Jiangxi Hengpuwei is a company established in the PRC on 9 June 2010 with an operation period of 10 years therefrom. Its business scope includes, among other things, sale of energy equipment, investment in energy related projects, and investment management and consultancy. The principal assets of Jiangxi Hengpuwei are its 45% interest in Shanxi Changtong and a 55% interest in each of Shanxi Ruiying and Taiyuan Zhituo.

Shanxi Ruiying is a company established in the PRC on 18 January 2008 with an operation period from 18 January 2008 to 30 December 2017. Its business scope includes, among other things, corporate project investment consultancy. The principal asset of Shanxi Ruiying is its 26% interest in Shanxi Coal.

Shanxi Changtong is a company established in the PRC on 6 October 2008 with an operation period of 10 years therefrom. Its business scope includes, among other things, development and management of energy projects, and sale of equipment and machinery for mining operations. The principal asset of Shanxi Changtong is its 15% interest in Shanxi Coal.

Taiyuan Zhituo is a company established in the PRC on 18 August 2009 with an operation period from 18 August 2009 to 11 August 2019. Its business scope includes consultancy services for investment. The principal asset of Taiyuan Zhituo is its 8% equity interest in Shanxi Coal.

## ***Information about Shanxi Coal***

Shanxi Coal is a company established in the PRC on 18 April 2008. The business scope of Shanxi Coal includes the investment in, development and management of and advising on mineral and coal mining business, sale of equipment and machinery for mining operations, construction of gas station and ancillary facilities, and coal gas application and related projects. The operation period of Shanxi Coal commences from 18 April 2008 and ends on 15 April 2014. Shanxi Coal is currently owned as to an aggregate of 49% by three indirect wholly-owned subsidiaries of Lexing, namely Shanxi Ruiying, Shanxi Changtong and Taiyuan Zhituo, and as to the remaining 51% by the PRC Owners. The PRC Owners are entities under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The mining assets held by Shanxi Coal comprises (i) 100% interest in Liaoyuan; (ii) 100% interest in Jinxin; (iii) 100% interest in Xinfeng; (iv) 95% interest in Bolong; and (v) 69.4% interest in Fuchang.

Pursuant to a document headed 《山西省人民政府關於加快推進煤礦企業兼併重組的實施意見》 (“Opinion of the People’s Government of Shanxi Province on the implementation of accelerating mergers and reorganisations of coal enterprises”\*) issued by the People’s Government of Shanxi Province on 2 September 2008, coal mines in Shanxi Province have been undergoing a series of mergers and reorganisations under the direction of the State Council of the PRC. Coal mines in Shanxi Province were required to undergo safety assessments and undertake necessary reconstruction and improvement works before they are allowed to resume mining operations. Coal mines which are not able to meet the required standard of safety and minimum production capacity are closed until the necessary reconstruction and improvement works have been undertaken. As a result of such government policy in Shanxi Province, small scale coal mines are merged and grouped into sizeable mining enterprises to enhance the overall production efficiency and safety standards. Pursuant to a document entitled 《山西省人民政府關於進一步加快推進煤礦企業兼併重組整合有關問題的通知》 (“Notice of the People’s Government of Shanxi Province on further accelerating merger, reorganisation and integration of coal enterprises”\*) issued by the People’s Government of Shanxi Province on 15 April 2009, Shanxi Coal Transportation and Sales Group Co., Ltd. was one of the authorised entities to undertake the mergers and reorganisations. Pursuant to 《關於授權山西煤炭運銷集團太原有限公司等14家子公司作為煤礦企業兼併重組整合主體的請示》 (“The Reply on Application Submitted by Shanxi Coal Transportation and Sales Group (Taiyuan) Co., Ltd. and Several Other Subsidiaries to Act as the Purchasers for the Merger and Reorganisation Project of Certain Coal Enterprises”), Shanxi Coal Transportation and Sales Group Co., Ltd. authorises Shanxi Coal to undertake the mergers and reorganisations. Such authorisation has been approved by Shanxi Land and Resources Office and 山西省工商局 (Shanxi Administration for Industry and Commerce) and confirmed by 山西省煤礦企業兼併重組整合工作領導辦公室 (The Coal Enterprises Merger, Reorganisation and Integration Office of the People’s Government of Shanxi Province\*). Pursuant to the PRC legal opinion issued by the PRC legal advisers of the Company, Shanxi Coal was one of the entities delegated by the relevant government authorities in Shanxi Province to undertake the merger

and reorganisation of coal mines in Gujiao City in Shanxi Province. The respective controlling interest in the PRC Companies were acquired by Shanxi Coal with the approval of 山西省煤礦企業兼併重組整合工作領導組(The Coal Enterprises Merger, Reorganisation and Integration Group of the People's Government of Shanxi Province\*) as part of the merger and reorganisation initiatives during November 2009 to May 2010.

### *Liaoyuan*

Liaoyuan is the holder of a mining license issued by the Shanxi Land and Resources Office on 20 December 2009 in respect of the Liaoyuan Mine covering an area of approximately 1.9844 km<sup>2</sup>. The license was renewed on 6 December 2011 and is valid for the period from 20 December 2011 to 20 December 2012 with annual production capacity of 600,000 tonnes of coal products including coking coal. Liaoyuan has obtained all the required licenses and approvals for the improvement works and commenced the reconstruction and improvement works at the Liaoyuan Mine on 27 December 2010. The required completion date of the improvement works has been extended to 5 January 2013. The expected completion date is currently 30 January 2013 and an application for extension will normally be made one month before the required completion date. Mining production at Liaoyuan Mine will commence after the aforesaid improvement works have been completed and certified by the relevant authorities.

### *Jinxin*

Jinxin is the holder of a mining license issued by the Shanxi Land and Resources Office on 2 September 2010 in respect of the Jinxin Mine covering an area of approximately 0.9524 km<sup>2</sup>. The renewed license is valid for the period from 2 September 2012 to 2 September 2013 with annual production capacity of 450,000 tonnes for coal products including coking coal. Jinxin has obtained all the required licenses and approvals for the improvement works and commenced the improvement works at the Jinxin Mine on 13 July 2011. The required completion date of the improvement works has been extended to 12 December 2012 and the expected completion date is currently 30 November 2012. Mining production at Jinxin Mine will commence after the aforesaid improvement works have been completed and certified by the relevant authorities.

### *Xinfeng*

Xinfeng is the holder of a mining license issued by the Shanxi Land and Resources Office on 26 December 2009 in respect of the Xinfeng Mine covering an area of approximately 2.1966 km<sup>2</sup>. The license was renewed on 23 December 2011 and is valid for the period from 26 December 2011 to 26 December 2012 with annual production capacity of 900,000 tonnes of coal products including coking coal. Xinfeng has obtained all the required licenses and approvals for the improvement works. The required completion date of the improvement works is 29 May 2012. The expected completion date is currently 28 February 2013 and Xinfeng is currently applying for the extension of the allowed period of its improvement work. Mining production at Xinfeng Mine will commence after the aforesaid improvement works have been completed and certified by the relevant authorities.

### *Bolong*

Bolong is the holder of a mining license issued by the Shanxi Land and Resources Office on 5 January 2010 in respect of the Bolong Mine covering an area of approximately 5.995 km<sup>2</sup>. The license was renewed on 23 December 2011 and is valid for the period from 5 January 2012 to 5 January 2013 with annual production capacity of 1,200,000 tonnes of coal products including coking coal. Bolong has obtained all the required licenses and approvals for the improvement works and commenced the improvement works at the Bolong Mine on 29 December 2010. The required completion date of the reconstruction and improvement works is 29 October 2012. The expected completion date is currently 30 March 2013 and an application for extension will normally be made one month before the required completion date. Mining production at Bolong Mine will commence after the aforesaid improvement works have been completed and certified by the relevant authorities.

### *Fuchang*

Fuchang is the holder of a mining license issued by the Shanxi Land and Resources Office on 25 April 2011 in respect of the Fuchang Mine covering an area of approximately 1.8006 km<sup>2</sup>. The license is valid for the period from 25 April 2011 to 25 April 2013 with annual production capacity of 600,000 tonnes of coal products including coking coal. Fuchang has obtained all the required licenses and approvals for the improvement works and commenced the improvement works at the Fuchang Mine on 6 December 2011. The required completion date of the reconstruction and improvement works is 6 March 2013 and the expected completion date is currently 20 December 2012. Mining production at Fuchang Mine will commence after the aforesaid improvement works have been completed and certified by the relevant authorities.

As advised by City Bloom, it is a usual practice of the PRC Mine Companies to commence the renewal application around one month before the expiry date of the mining licenses the earliest. The PRC Mine Companies will apply for renewal of the mining licenses at the appropriate time. Taking into account of the prior renewal of the mining licenses of the PRC Mine Companies, as at the date of this announcement, City Bloom does not foresee any obstacles in the renewal of the mining licenses upon their respective expiry.

### *Licenses and/or permits required for commercial production of the Coal Mines*

As advised by City Bloom's PRC legal advisers, the permits and licenses required to be obtained for commercial production of the Coal Mines include: (i) 企業兼併重組整合方案的批覆 (approval for the company reorganisation proposal); (ii) 企業名稱變更核准通知書 (change of company name approval notice); (iii) 整合礦井地質報告審批 (approval for the mine geological report); (iv) mining license; (v) 礦井整合項目初步設計審批 (approval for the preliminary project design plan regarding the mine reorganisation); (vi) 礦井整合項目初步設計安全審批 (safety approval for the preliminary project design plan regarding the mine reorganisation); (vii) 項目建設工程開工批覆 (approval for the commencement of construction works); (viii) 礦長資格證 (qualification certificate of

the mine manager); (ix)礦長安全資格證 (safety qualification certificate of the mine manager); (x) business license; (xi)煤礦建設項目整體竣工驗收文件 (acceptance certificate as to overall project completion) (the “**Acceptance Certificate**”); (xii)環境影響報告之批文 (approval of environmental impact report) which requires, among others, the obtaining of 關於核定礦井兼併重組整合項目污染物排放總量的函 (letter on the determination of the maximum pollutants discharge amount regarding the mine reorganisation); (xiii)煤炭安全生產許可證 (work safety license); and (xiv)煤炭生產許可證 (coal production permit).

The following table sets forth a summary of the mining licenses held by the PRC Mine Companies as at the date of this announcement and other licenses and permits to be obtained for commercial production:

Mine	Area ( <i>km<sup>2</sup></i> )	Annual capacity ( <i>tonne</i> )	Registered holder	Mining license expiration date	License(s)/permit(s) to be obtained for commercial production
Liaoyuan Mine	1.9844	600,000	Liaoyuan	20 December 2012	(i) Acceptance Certificate; (ii) Approval of environmental impact report; (iii) Work safety license; and (iv) Coal production permit
Jinxin Mine	0.9524	450,000	Jinxin	2 September 2013	(i) Acceptance Certificate; (ii) Work safety license; and (iii) Coal production permit
Xinfeng Mine	2.1966	900,000	Xinfeng	26 December 2012	(i) Business license; (ii) Acceptance Certificate; (iii) Approval of environmental impact report; (iv) Work safety license; and (v) Coal production permit
Bolong Mine	5.9950	1,200,000	Bolong	5 January 2013	(i) Business license; (ii) Acceptance Certificate; (iii) Approval of environmental impact report; (iv) Work safety license; and (v) Coal production permit
Fuchang Mine	1.8006	600,000	Fuchang	25 April 2013	(i) Business license; (ii) Acceptance Certificate; (iii) Approval of environmental impact report; (iv) Work safety license; and (v) Coal production permit

Among those licenses and/or permits which have not been obtained by the PRC Mine Companies as disclosed in the above table:

- (i) the business licenses of Xinfeng, Bolong and Fuchang are in the process of application and expected to be obtained by the end of October 2012 (for Fuchang) and in the fourth quarter of 2012 (for Xinfeng and Bolong), respectively;
- (ii) an environmental engineering company has been appointed to conduct the environmental impact assessment of Liaoyuan Mine, Xinfeng Mine, Bolong Mine and Fuchang Mine and the relevant approvals from the competent authority are expected to be obtained in the fourth quarter of 2012;
- (iii) improvement works on the environmental protection, project safety, fire safety and coal production systems of the Coal Mines are being conducted and the Acceptance Certificates will be applied for after such improvement works have been completed, which are expected to be obtained in around December 2012 to the first quarter of 2013;
- (iv) the work safety licenses of the Coal Mines will be applied for after the technical reconstruction works on the relevant coal mine have been completed and approved by the relevant government authorities, which are expected to be obtained in around the first half of 2013; and
- (v) the coal production permits of the Coal Mines will be applied for after all other licenses and/or permits required for commercial production are obtained, which are expected to be obtained in around the first half of 2013.

Pursuant to 中華人民共和國礦產資源法實施細則 (Implementation Rules of the Mineral Resources Law of the People's Republic of China), the mining licenses held by the PRC Mine Companies allow their respective license holders, among others, (i) to conduct mining activities within the term and the area designated by the mining license; (ii) to undertake technical reconstruction works on the relevant mining site and, upon obtaining government approval on such reconstruction works when completed, to apply for the coal production permit, the work safety license and other licenses required for the production and sale of coal products; (iii) to sell mineral products (except for those minerals which the State Council of the PRC has prescribed for a unified purchase by the designated units only); (iv) to construct production facilities and living facilities within the licensed area; and (v) to obtain the land use rights which are required for production facilities.



At the same time, the holders of such mining licenses are subject to, among others, the following obligations:

- (i) to conduct mining activities and utilise the mineral resources within reasonable limits;
- (ii) to pay the mining right use fees, the resources tax and the mineral resources compensation fees;
- (iii) to comply with the laws and regulations regarding the labour safety for production, water and soil conservancy, land recovery and environmental protection; and
- (iv) to be subject to the supervision from the competent authorities in charge of geology and mineral resources and the other relevant competent authorities, and to file the mineral reserve forms and mineral resources development and utilisation statistics reports in accordance with the relevant regulations.

With respect to the rights of the use of the land and/or buildings regarding the subject mining sites of the Coal Mines, each of the PRC Mine Companies will either purchase or lease such mining sites from their respective current owners. As at the date of this announcement, each of the PRC Mine Companies has not entered into any agreement to purchase or lease their respective mining sites. Where such mining sites will be purchased in the future, the relevant registration for 土地使用證 (land use rights certificates) and 房屋所有權證 (building ownership certificates) are required to be obtained. Where such mining sites will be leased by the PRC Mine Companies, the relevant leasing agreements for the land and building of such mining sites will be executed.

#### *Reconstruction and improvement works of the Coal Mines*

All the reconstruction and improvement works is expected to be completed by the end of March 2013. The schedule of the improvement works and operation of the respective mines are set out below:

	<b>Expected completion date of the reconstruction and improvement works</b>	<b>Expected date of commencement of commercial operation</b>
Liaoyuan Mine	30 January 2013	30 April 2013
Jinxin Mine	30 November 2012	28 February 2013
Xinfeng Mine	28 February 2013	30 May 2013
Bolong Mine	30 March 2013	30 June 2013
Fuchang Mine	20 December 2012	20 March 2013

The management of City Bloom originally expected that commercial operation of the Coal Mines will commence by the end of first half of 2012. However, pursuant to the additional requirements under certain notices issued by 山西省煤炭工業廳 (the Coal Industry Office of the Shanxi Province\*) and 太原市煤炭工業局 (Coal Industry Bureau of Taiyuan City\*) in February 2012 in relation to production safety in coal mines, with effect from February 2012, employees in the coal mining industry (including basic shaft construction workers) were required to undergo new mandatory trainings regarding the management of coal mines, which lasted for 20 days to two months in general. Until they completed certain sessions of such trainings, employees in the coal mining industry were not allowed to work in coal mines and the construction workers were not allowed to carry out construction work in coal mines. Accordingly, the workers of the Coal Mines has been undertaking such sessions of training since February 2012 to the fourth quarter of 2012 in batches and, due to the resulting reduction in workforce available during such period, the expected completion dates of the reconstruction and improvement works of the Coal Mines were delayed.

Further, the operation and the reconstruction and improvement works of the Coal Mines were interrupted by a number of extra inspections by the government authorities in the PRC regarding the safety measures of the coal mining sites from the end of 2011 to April 2012. During such inspections, the relevant government authorities had given recommendations as to the improvement and compliance with the government's standards. The nature and scope of such recommendations include, (i) for Liaoyuan Mine, maintenance of main inclined shaft facilities, renovation of the return air shaft, testing of ventilation system, payment of social insurances and the housing provident funds, establishment of the double circuit power supply programme and its measures; (ii) for Jinxin Mine, improvement works on the main inclined shaft and auxiliary inclined shaft and installation of new ground facilities; (iii) for Xinfeng Mine, maintenance and installation of main inclined shaft facilities, maintenance of return air shaft, testing and installation of equipments in the winch room and the transportation line of mine shafts, renovation of the car park underneath the mine shaft, clearance of major passages, renovation and clearance of the mine openings and reservoirs and maintenance of passages between coal bunkers; (iv) for Bolong Mine, improvement works on the main inclined shaft and return air shaft, safety testing of the auxiliary inclined shaft and the testing on the ventilation system and communication system within the mining facilities; and (v) for Fuchang Mine, maintenance of the main inclined shaft, return air shaft and ventilation system and payment of occupational injury and accidents insurances. All of the above recommendations and improvement works as required thereunder have been followed and completed, except for the payment of occupational injury and accidents insurances to workers of Fuchang Mine which will be settled after obtaining the relevant business license.

Operations of the Coal Mines would be halted until such government's recommendations were followed and complied with and the relevant government authorities approved the operations of the Coal Mines. Hence, the reconstruction and improvement works of the Coal Mines were further delayed. As disclosed in the above paragraphs, as at the date of this announcement, all additional works as recommended by the government have been completed except for the payment of occupational injury and accidents insurances to workers of Fuchang Mine and the ongoing training attended by the employees of all the Coal Mines which have been conducted in batches and is expected to be completed by the end of the fourth quarter of 2012. As advised by the management of the Lexing Group, there are no difficulties in arranging the employees of the Coal Mines to attend such training programmes and thus, which the Board agrees, the normal operation of the Coal Mines can be commenced as set out the timetable above.

*Key financial information of the Lexing Group*

Set out below is the summary of the key unaudited combined financial information of the Lexing Group for the two years ended 31 December 2010 and 31 December 2011:

	For the year ended			
	31 December 2011		31 December 2010	
	<i>RMB' million</i>	<i>Equivalent to approximately HK\$ 'million</i>	<i>RMB' million</i>	<i>Equivalent to approximately HK\$ 'million</i>
	Unaudited	Unaudited	Unaudited	Unaudited
Turnover	8.7	10.7	–	–
(Loss)/Profit before tax	(199.2)	(245.9)	(51.5)	(63.6)
(Loss)/Profit after taxation and minority interest	(99.3)	(122.6)	(23.8)	(29.4)

As at 31 December 2011, the Lexing Group recorded unaudited net liabilities of approximately RMB415.1 million (equivalent to approximately HK\$512.5 million). The above financial information was prepared using the Hong Kong Financial Reporting Standards.

### *Information on the reserves and resources of the Coal Mines*

The following table sets forth the breakdown of the reserves and resources information of the Coal Mines as extracted from the draft competent person's report dated 16 March 2012 prepared by Mr. Ronald L. Lewis of John T. Boyd Company in accordance with the requirements under Chapter 18 of the Listing Rules:

Mine	In-place resource (million tonnes)				Recoverable reserves (million tonnes)			Marketable reserves (million tonnes)		
	Measured	Indicated	Inferred	Total	Proved	Probable	Total	Proved	Probable	Total
Bolong	19.17	19.93	–	39.10	11.45	10.59	22.04	10.61	9.86	20.47
Fuchang	8.12	2.31	–	10.43	4.64	1.06	5.70	4.24	0.99	5.23
Jinxin	1.97	4.92	0.45	7.34	1.11	2.44	3.55	1.05	2.32	3.37
Liaoyuan	8.97	6.52	2.53	18.02	4.42	3.49	7.91	4.14	3.30	7.44
Xinfeng	6.39	6.59	–	12.98	4.09	3.32	7.41	3.79	3.07	6.86
Total	<u>44.62</u>	<u>40.27</u>	<u>2.98</u>	<u>87.87</u>	<u>25.71</u>	<u>20.90</u>	<u>46.61</u>	<u>23.83</u>	<u>19.54</u>	<u>43.37</u>

According to the draft competent person's report, different categories of reserves/resources are defined as follows: (i) the "in-place resources" are the coal resources in the ground, in situ and un-mined condition; (ii) the "recoverable reserves" are proved and probable reserves prior to the adjustment for preparation plant yield and are referred to the portion of the coal seam that can be recovered with the mining techniques specified in the feasibility or design study; and (iii) the "marketable reserves" are the saleable coal products derived from the recoverable reserves after taking into account the mining and processing losses, where applicable.

### **III. THE DISPOSAL**

#### **The Disposal Agreement**

**Date** : 12 June 2012

#### **Parties**

Vendor : the Company

Purchaser : Mountain Sky

Mountain Sky is a company incorporated in the BVI and its principal activity is investment holding. As at the date of the Disposal Agreement, Mountain Sky beneficially owned 155,350,000 Shares, representing approximately 13.65% of the issued Shares, and thus a substantial Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

### ***Assets to be disposed of***

- (i) the NARG Sale Shares, representing the entire issued share capital of NARG;
- (ii) the GLG Sale Share, representing the entire issued share capital of GLG; and
- (iii) the Sale Loan.

### ***Consideration***

The aggregate consideration for the NARG Sale Shares, the GLG Sale Share and the Sale Loan is HK\$600 million. The consideration shall be settled by the application of the payment of an equivalent amount payable by Guang Cheng to City Bloom pursuant to the Acquisition Agreement to satisfy part of the consideration for the Acquisition, which will be authorised by City Bloom to be applied towards the payment of an equivalent amount payable by City Bloom to Mountain Sky pursuant to the Mountain Sky Agreement to satisfy the consideration of the Share Sale; and which sum, in turn, will be authorised by Mountain Sky to be applied towards the payment of the equivalent amount payable by Mountain Sky to the Company as the consideration of the Disposal.

The consideration was determined after arm's length negotiations between the Company and Mountain Sky and with reference to, among other things, (i) the aggregate net asset value of the NARG Group and the GLG Group of HK\$239.3 million and the amount of the Sale Loan of HK\$328.1 million as at 31 December 2011; and (ii) the draft valuation of the NARG Group and the GLG Group of approximately HK\$540 million as at 31 March 2012 prepared by Greater China using the income approach; and (iii) the unsatisfactory financial performance of the NARG Group and the delayed production schedule due to various issues relating to, among other things, the insufficient amount of water usage approved by the local government authority for the required scale of operation, the resolution of the technical and logistics issues, and the delay in the completion of the docking facility near the Choir City railway station in Mongolia; and (iv) the additional resources and capital that are required for the future operation and business development of the GLG Group.

Having considered the above, the Directors (other than the members of the Independent Board Committee whose view will be set out in the circular to be despatched to the Shareholders after receiving the advice of the independent financial adviser) are of the opinion that the consideration for the Disposal is fair and reasonable.

### ***Conditions precedent to the Disposal Agreement***

Completion of the Disposal Agreement is conditional upon fulfillment or waiver of the following conditions:

- (a) the passing of ordinary resolution(s) at the SGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Disposal Agreement and the transactions contemplated thereunder;

- (b) all necessary consents, approvals, licenses and authorisation required to be obtained on the part of Mountain Sky in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary consents, approvals, licenses and authorisation required to be obtained on the part of the Company in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained;
- (d) the representations and warranties given by Mountain Sky under the Disposal Agreement remaining true and accurate and not misleading in all material respects;
- (e) the representations and warranties given by the Company under the Disposal Agreement remaining true and accurate and not misleading in all material respects;
- (f) the Acquisition Agreement having become unconditional (other than the condition for the Disposal Agreement to become unconditional);
- (g) (i) the entering into the Subscription Agreement and the Third Supplemental Agreement and; (ii) the Subscription Agreement and the Third Supplemental Agreement having become unconditional (other than the condition for the Disposal Agreement to become unconditional); and
- (h) the Mountain Sky Agreement having become unconditional (other than the condition for the Disposal Agreement to become unconditional).

Mountain Sky may waive condition (e) while the Company may waive in whole or in part of condition (d). All the other conditions set out above are incapable of being waived by any party to the Disposal Agreement. If any of the above conditions (other than condition (g)(i)) have not been fulfilled by the parties to the Disposal Agreement on or before 5:00 p.m. on 31 December 2012 (or such later date as the parties to the Disposal Agreement may agree in writing) or condition (g)(i) has not been fulfilled by the parties to the Disposal Agreement on or before 5:00 p.m. on 7 September 2012, the Disposal Agreement shall lapse and thereafter neither party to the Disposal Agreement shall have any rights or obligations towards the other except in respect of any antecedent breach.

Each of the Subscription Agreement and the Third Supplemental Agreement was entered into on 6 September 2012 as required under condition (g)(i). Save as disclosed, no other condition precedent under the Disposal Agreement has been fulfilled as at the date of this announcement. As advised by Mountain Sky, Mountain Sky has obtained all necessary consents, approvals and authorisation to enter into the Disposal Agreement. The Company has obtained a legal opinion based on the laws of the BVI regarding the execution of the Disposal Agreement and is of the view that the Disposal Agreement was duly executed by Mountain Sky with proper authorisation.



### ***Completion of the Disposal***

Completion of the Disposal shall take place on the third Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent to the Disposal Agreement (or such other date as the parties to the Disposal Agreement may agree). Upon completion of the Disposal, NARG and GLG will cease to be subsidiaries of the Company and the results of NARG Group and GLG Group will not be consolidated into the consolidated financial statements of the Group after completion of the Disposal.

The respective completions of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement shall take place simultaneously.

### **Information on the Disposal Group**

NARG is a company incorporated in the BVI and its principal activity is investment holding. The NARG Group is engaged in iron mining business in Mongolia. NARG owns a 99.99% indirect interest in Golden Pogada LLC, which is the registered holder of the mining right license for the Iron Mine located in south-central Mongolia. As of the date of this announcement, production at the Iron Mine, which has temporarily halted due to technical issues, has not re-commenced and the company has not sold the inventory of iron ore produced during the trial production in 2011 pending the resolution of the logistics and transportation issues.

GLG is a company incorporated in the BVI and its principal activity is investment holding. The GLG Group is engaged in coal trading and logistic operations at both the Ceke and Gants Mod border crossings, the two major border crossings for coal transportation at the Sino-Mongolian border. The logistics operations at the Gants Mod border crossing is operated through Global Link Logistic LLC, a joint venture company in which GLG owns 80% equity interest and the remaining 20% is owned by a Mongolian partner. This business is still in early stages of operation and may require more capital investment for the expansion of its fleet strength in order to become profitable. The Company's coal trading business at the Ceke border crossing is operated through its wholly-owned subsidiary, NAR Gold Fox Group Limited. Around the end of 2011, NAR Gold Fox Group Limited, a member of the Disposal Group, started a trial running of its business model, which was subsequently aborted as the business involved a relatively long funding cycle and substantial outlay of capital, from the point of initial investment of capital for the purchase of the raw coal, transportation cost and coal washing cost to the final receipt of payment from the washed coal buyers. As such, the Company decided to put this operation on hold and to further review and strategise the operational and funding requirements for this business.

Set out below is the summary of the key unaudited combined financial information of the Disposal Group for the two years ended 31 December 2010 and 31 December 2011:

	<b>For the year ended</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
	Unaudited	Unaudited
Turnover	4.43	–
(Loss)/Profit before tax	(842.03)	(309.95)
(Loss)/Profit after taxation and minority interest	(760.03)	(281.02)

As at 31 December 2011, the Disposal Group recorded unaudited net assets of approximately HK\$239.30 million. The above financial information was prepared using the Hong Kong Financial Reporting Standards.

### **Gain on the Disposal**

As stated in the circular of the Company dated 23 October 2009, the appraised value of the mining right of the Iron Mine held by Golden Pogada LLC, which is a 90%-owned subsidiary of NARG, is approximately HK\$2,272 million. As the feasibility study had yet to be conducted at the time of preparation of the said circular, the valuation of the mining right of the Iron Mine as contained in the said circular was arrived at by using the market approach with reference to the market value of the price per tonne of iron resource for transactions of a similar type, details of which are set out in the said circular of the Company.

On 16 December 2009, the acquisition of the entire equity interest in NARG was completed. Pursuant to applicable accounting standards, the fair value of the consideration for the acquisition of the entire equity interest in NARG was approximately HK\$3,885.6 million. At around the end of October 2009, the management prepared a preliminary business plan for the future operation of the Iron Mine and then engaged SRK to carry out a technical review to assess and refine the preliminary business plan. On 23 November 2009, SRK produced a technical plan (the “**Technical Plan**”), the details of which formed the basis of the Company’s complete business plan which was completed at around the end of November 2009. As at the aforesaid date of completion, the fair value of the mining business of the Iron Mine was considered to be approximately HK\$5,253.2 million, as valued by Greater China by adopting the income approach with reference to a 15-year production plan of the Iron Mine starting from 2010 assuming sufficient supply of water with a view to achieving a maximum production capacity of 5.7 million tonnes of iron ore per annum (the “**Completion**”).

**Valuation**”). Greater China adopted the income approach in arriving at the Completion Valuation as it was able to place sufficient reliance on the Company’s business plan for the future operation of the Iron Mine, the viability of which was substantiated by following factors:

- (i) on 13 November 2009, Golden Pogada LLC entered into agreements with China Railway Mongolia Limited, which, at that time, was an independent third party, in relation to, among other things, (i) the sale of not less than 1.5 million tonnes per annum of output of the Iron Mine by the Group to China Railway Mongolia Limited; and (ii) the provision of transportation services for the Group’s iron output by China Railway Mongolia Limited. These agreements secured sales orders and provided transportation solutions for the products of the Iron Mines;
- (ii) the availability of the Technical Plan on 23 November 2009 which contained information necessary for using the income approach as the valuation methodology. These information included the mining design, production schedules, estimated sales volume, capital expenditures, assessment on the feasibility of the future business operation of the Iron Mines, estimated cost of production and transportation, etc.; and
- (iii) the granting of the mining license for the Iron Mine on 4 December 2009.

Greater China was satisfied with the competency of SRK and considered that the information contained in the Technical Plan reliable. Taking into account of the Company’s business plan, the contractual arrangements, the granting of the mining license and the information contained in the Technical Plan, Greater China considered that the development status of the Iron Mine had changed from an exploration stage to a pre-development stage. Greater China therefore considered that income approach was an appropriate valuation methodology as it better reflected the entire business value of the operation of the Iron Mine according to the Company’s business plan.

The excess of the fair value of the consideration for the entire equity interest in NARG over the fair value of the net identifiable assets (including the fair value of the mining right of the Iron Mine based on the valuation prepared by Greater China) of approximately HK\$2,653.8 million was recognised as goodwill of the Group on the date of completion of such acquisition.

In the course of preparing of the audited financial statements of the Group for the year ended 31 December 2009, the goodwill and fair value of the mining right of the Iron Mine were assessed for impairment and no impairment was considered necessary as the recoverable amount of the Iron Mine business was greater than its carrying value.

Trial production began in May 2010, with positive results in the recovery of some iron sand. During 2010, the Company completed the design on the construction of the Iron Mine, installed dry processing equipment according to the design, and performed blasting and trial production on site.

Iron ore can be processed by using dry processing or wet processing. Dry processing uses very little water, but produces a low-iron content product, usually less than 55% iron content. Wet processing uses more water to process low grade iron ore into a higher iron content product with around 65% of iron content or above. In early 2011, the Company received water usage approval from the local authority for an amount of water usage less than the originally required amount. The amount of water usage approval obtained by the Company was insufficient for the wet processing methodology. Further work for proving the adequacy of water resources is required to apply for the necessary water usage amount for wet processing for the Iron Mine. In view of these circumstances, the Company engaged Greater China to provide an assessment of the potential decrease in the recoverable amount of the iron mining business of the Group as a result of the extended production schedule and the relatively lower iron-content of the products caused by the limited supply of water to the Iron Mine. As disclosed in the annual report of the Company for the financial year ended 31 December 2010, the recoverable amount of the Iron Mine business as valued by Greater China was approximately HK\$1,300.2 million which was lower than the carrying value of the Iron Mine business. The full amount of the goodwill of approximately HK\$2,653.8 million was therefore impaired and an impairment of approximately HK\$287.5 million was made on the carrying value of the mining right of the Iron Mine in accordance with the relevant accounting standards.

Due to the potential increase in the transportation costs for transporting iron ore products from the Iron Mine to a border town as a result of not establishing the required scale of production and the inability of the Company to attract other large-scale buyers to absorb the transportation cost, the cost structure and overall profitability of the Iron Mine business was adversely affected during the year ended 31 December 2011. The recoverable amount of the Iron Mine business as assessed by Greater China was approximately HK\$532.0 million as at 31 December 2011 and was therefore lower than its carrying amount in the financial statements of the Group. Taking into account the above factors, and the relevant accounting standards, the Board decided to further impair the mining right of the Iron Mine of approximately HK\$819.0 million in the preparation of the audited financial statements for the year ended 31 December 2011.

Based on the revised valuation report by Greater China and the prolonged production schedule following the unforeseen lower approval level of water usage by the local government of Mongolia, the Directors considered the impairment justifiable and that they had performed their due diligence work on the Iron Mine with due care, diligence and skills.

Based on the unaudited accounts of the Disposal Group as at 31 December 2011, an unaudited gain of approximately HK\$29.6 million is expected to arise from the Disposal, which is calculated with reference to the net proceeds from the consideration of the Disposal of approximately HK\$597 million and the carrying value attributable to the Disposal Group of approximately HK\$239.3 million and the Sale Loan as at 31 December 2011 of approximately HK\$328.1 million. Shareholders and investors should note that the exact amount of the actual gain on the Disposal is to be determined with reference to the fair value attributable to the NARG Sale Shares, the GLG Sale Share and the Sale Loan as at the date of completion of the Disposal Agreement and may be different from the above figure.

Based on the draft valuation of the NARG Group and the GLG Group in respect of iron resources of approximately HK\$540 million as at 31 March 2012 prepared by Greater China using the income approach, the consideration for the Disposal represents a premium of approximately 11.1% over the aforesaid valuation. The Directors considered that the aforesaid valuation reflected the economic substance of the underlying assets with reference to, among other things, the future production schedule, production capacity, the amount of reserve and resources, the capital expenditure to be incurred and the recent market price of iron and cost of production.

Having considered (i) the impairments made on the carrying amounts of the goodwill and the mining right of the Iron Mine business as detailed above, the book value of the Disposal Group of approximately HK\$567.4 million as at the date of the Disposal Agreement; (ii) the expected gain of approximately HK\$29.6 million on the Disposal; (iii) the additional capital resources that are required to be invested in the Iron Mine to achieve full commercial production; and (iv) the issues surrounding the dry processing plant, the completion of the docking facility near the Choir City railway station in Mongolia, the inadequate water approval and the transportation are still to be resolved, the Directors (other than the independent non-executive Directors) consider the consideration of the Disposal to be fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

#### **IV. THE SUBSCRIPTION**

##### **The Subscription Agreement**

***Date*** : 6 September 2012

##### ***Parties***

**Issuer** : the Company

**Subscriber** : Business Ally

Business Ally is a company incorporated in the BVI and a wholly-owned subsidiary of CCB International Asset Management Limited. The principal activity of Business Ally is investment holding. It is the sole holder of the US\$30M Convertible Bonds. As a security to the US\$30M Convertible Bonds, (i) Mountain Sky has charged 155,350,000 Shares and 1,500,987,376 CPS (i.e. the shares to be transferred by Mountain Sky to City Bloom under the Mountain Sky Agreement) held by Mountain Sky in favour of Business Ally; and (ii) NARG has charged the entire issued share capital of Green Paradise Enterprises Limited (being an indirect wholly-owned subsidiary of the Company and also a member of the NARG Group) in favour of Business Ally.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the holding of the US\$30M Convertible Bonds, Business Ally and its ultimate beneficial owners are otherwise third parties independent of the Company and its connected persons. As at the date of this announcement, Business Ally has not requested for early redemption of the US\$30M Convertible Bonds.

### ***The Subscription***

The number of Subscription Ordinary Shares and Subscription CPS shall be subject to adjustment such that upon Completion, Business Ally shall be issued and allotted such number of Shares that would give Business Ally and any parties acting in concert with it an aggregate interest of less than 20% shareholding in the total issued ordinary share capital of the Company upon Completion at the issue price of HK\$0.17 each.

The consideration for the Subscription that is payable by Business Ally to the Company shall be satisfied by setting off against the aggregate of (a) US\$15,000,000 principal amount of the Set-Off Convertible Bonds; and (b) the difference between (i) an amount that would yield the IRR at the rate of 18% calculated on the Set-Off Convertible Bonds from the issue date of the US\$30M Convertible Bonds up to and including the date of completion of the Subscription (such amount shall take into account of any interest (other than default interest) previously paid with respect to the Set-Off Convertible Bonds), and (ii) interest on the Set-Off Convertible Bonds accrued from the date of the last interest payment (i.e. 14 March 2012) up to and including the date of completion of the Subscription at the rate of 8% per annum (the “**Additional Interest**”).

### ***Subscription Ordinary Shares***

The Subscription Ordinary Shares shall rank pari passu with all ordinary Shares in issue in all respects upon completion of the Subscription. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Ordinary Shares. For illustration purpose only, the maximum number of Subscription Ordinary Shares to be issued is 683,823,529 which is calculated by dividing US\$15 million (equivalent to approximately HK\$116.3 million) by the issue price of HK\$0.17 per Subscription Ordinary Share. The maximum number of Subscription Ordinary Shares to be issued represents approximately 60.1% of the issued share capital of the Company as at the date of this announcement and approximately 2.6% of the enlarged share capital of the Company on Completion and full conversion of the convertible securities of the Company.



### ***Subscription CPS***

The principal terms of the Subscription CPS are as follows:

Par value:	HK\$0.01 per Subscription CPS
Issue price:	HK\$0.17 per Subscription CPS
Dividend:	it shall have priority to any rights of the holders of any other class of shares of the Company (including the Shares) to receive dividends. Any dividend declared shall not be less than that declared in respect of any other class of shares of the Company (including the Shares) on a per share basis
Conversion ratio:	subject to the restrictions on the exercise of the conversion rights attaching to the Subscription CPS, each Subscription CPS shall be convertible into one ordinary Share
Conversion rights:	each Subscription CPS shall be convertible into one ordinary Share subject to that the conversion of the Subscription CPS will not cause (i) to the extent that following such conversion, the relevant holder of the Subscription CPS and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 20% or more of the entire issued Shares; or (ii) if immediately after such conversion, the public float of the Shares shall be less than 25% (or any given percentage as required by the Listing Rules)
Redemption:	neither the Company nor any holder of the Subscription CPS shall have any right to redeem the Subscription CPS
Ranking:	with respect to (a) dividends, and (b) distributions of surplus assets upon the occurrence of liquidation, it shall rank prior to all Shares  the Conversion Shares shall rank pari passu with the issued ordinary Shares on the date of conversion

Rights in liquidation:	in the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, each holder shall be entitled to receive, prior to and in preference to any distribution of any of the surplus assets or funds of the Company to the holders of any other class of shares of the Company ranked second to the Subscription CPS (including but not limited to the ordinary Shares), an amount per Subscription CPS equal to the portion of the subscription price paid on each such Subscription CPS, in addition to any unpaid dividends already declared by the Board in respect of the Subscription CPS (“ <b>Liquidation Preference</b> ”). After the payment of the Liquidation Preference to the holders of the Subscription CPS, the remaining surplus assets of the Company that are legally available for distribution shall be distributed to the holders of the Shares (including the Subscription Ordinary Shares) and Subscription CPS pro rata on an as-converted basis
Voting rights:	except as required by law, it shall have no voting rights
Transferability:	the Subscription CPS are freely transferable other than to the connected persons (as defined under the Listing Rules) of the Company
Application for listing:	no application will be made for the listing of or permission to deal in the Subscription CPS on the Stock Exchange or any other stock exchange. The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Subscription CPS

The Subscription Ordinary Shares and the Conversion Shares shall be issued pursuant to the Specific Mandate to be sought at the SGM.

***Subscription price***

The amount of Subscription Ordinary Shares and Subscription CPS to be allotted and issued and the respective issue prices were determined after arm’s length negotiations between the Company and Business Ally and with reference to, among other things, the average closing prices of the Shares and the net assets value of the Company.

The issue price of HK\$0.17 for each Subscription Ordinary Shares and Subscription CPS was determined after arm's length negotiations between the Company and Business Ally which represents:

- (i) a discount of approximately 39.3% to the closing price of HK\$0.28 per Share as quoted in the daily quotation sheets of the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 37.0% to the average of the closing price of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date of HK\$0.27 per Share;
- (iii) a discount of approximately 35.1% to the average of the closing price of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date of approximately HK\$0.262 per Share;
- (iv) a discount of approximately 35.8% to the average of the closing price of the Share as quoted in the daily quotation sheets of the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date of approximately HK\$0.265 per Share;
- (v) a discount of approximately 46.7% to the net assets value attributable to equity holders of the Company of approximately HK\$0.319 per Share as at 31 December 2011 based on the audited financial statement of the Group for the year ended 31 December 2011; and
- (vi) a discount of approximately 36.3% to the net assets value attributable to equity holders of the Company of approximately HK\$0.267 per Share as at 30 June 2012 based on the unaudited financial statements of the Group for the six months ended 30 June 2012.

For illustration purpose only, the maximum number of Subscription Ordinary Shares and Subscription CPS to be issued is 857,512,699 which is calculated by dividing the sum of US\$15 million (equivalent to approximately HK\$116.3 million) and US\$3,809,956 (equivalent to approximately HK\$29,527,159) being the Additional Interest assuming the Completion Date is on 31 December 2012, by the issue price of HK\$0.17 per Subscription Ordinary Share and Subscription CPS. The maximum number of Subscription Ordinary Shares and Subscription CPS to be issued represents approximately 75.4% of the issued share capital of the Company as at the date of this announcement and approximately 3.3% of the enlarged share capital of the Company on Completion and full conversion of the convertible securities of the Company.

### ***Conditions precedent to the Subscription Agreement***

Completion of the Subscription Agreement is conditional upon fulfillment of the following conditions:

- (a) all necessary consents and approvals required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereby, including but not limited to the Subscription, having been obtained;
- (b) the Listing Committee of the Stock Exchange granting, and not having withdrawn or revoked as at completion of the Subscription, the listing of and permission to deal in the Subscription Ordinary Shares and the Conversion Shares;
- (c) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules, the Takeovers Code and all other applicable laws and regulations to approve the Subscription Agreement and the transactions contemplated thereunder and including but not limited to, if necessary, such amendments that are required to be made by the Company to its bye-laws for the purpose of authorising the creation of the Subscription CPS, the issue of the Subscription CPS, the Subscription Ordinary Shares and the Convertible Shares, and the incorporation of the terms of the Subscription CPS;
- (d) the Acquisition Agreement having become unconditional (other than the condition for the Subscription Agreement to become unconditional);
- (e) the Disposal Agreement having become unconditional (other than the condition for the Subscription Agreement to become unconditional);
- (f) the Mountain Sky Agreement having become unconditional (other than the condition for the Subscription Agreement to become unconditional);
- (g) the Third Supplemental Agreement having become unconditional (other than the condition for the Subscription Agreement to become unconditional); and
- (h) a deed of indemnification in connection with the Indemnified Claims entered into between Ultra Asset as the indemnifying party and Business Ally is being duly executed and delivered by Ultra Asset to Business Ally.

All the above conditions are incapable of being waived by any party to the Subscription Agreement. If the above conditions have not been fulfilled on or before 5:00 p.m. on 31 December 2012 (or such later date as the parties to the Subscription Agreement may agree in writing), the Subscription Agreement shall lapse and thereafter neither party to the Subscription Agreement shall have any rights or obligations towards the other except in respect of any antecedent breach.

As at the date of this announcement, save for condition (h), no other condition precedent under the Subscription Agreement has been fulfilled.

### ***Completion of the Subscription***

Completion of the Subscription shall take place on the third Business Day after the fulfillment of the conditions precedent to the Subscription Agreement (or such other date as the parties to the Subscription Agreement may agree).

The respective completions of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement shall take place simultaneously.

### ***Others***

By entering into the Subscription Agreement together with the Third Supplemental Agreement, Business Ally has given its consent to the entering into of the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement by the relevant parties and has further confirmed that the entering into of the aforesaid agreements and the transactions contemplated thereunder will not constitute any breach of the terms of the US\$30M Convertible Bonds.

In order to facilitate the payment for the consideration of the Disposal, upon completion of the Subscription Agreement, Business Ally shall also release in full the charges on the entire issued share capital of Green Paradise Enterprises Limited (being a member of the Disposal Group), the 155,350,000 Shares and 1,500,987,376 CPS held by Mountain Sky.

Having considered the above and the factors described under the section headed "Reasons for the Transactions" below, the Directors (other than the members of the Independent Board Committee whose view will be set out in the circular to be despatched to the Shareholders after receiving the advice of the independent financial adviser) are of the opinion that the terms of the Subscription are fair and reasonable and that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

## V. THE PROPOSED ALTERATION

### The Third Supplemental Agreement

Date : 6 September 2012

Parties : the Company, Business Ally and City Bloom as the issuer, the holder and the warrantor of the Remaining US\$15M Convertible Bonds, respectively.

Subject to the terms and conditions of the Third Supplemental Agreement, the Company and Business Ally agreed to alter the terms of the Remaining US\$15M Convertible Bonds upon Completion. City Bloom also conditionally agreed to provide certain undertaking in relation to the fulfillment of the relevant amended conditions of the Remaining US\$15M Convertible Bonds in favour of the holder(s) of the Remaining US\$15M Convertible Bonds upon Completion. To the best of the Director's knowledge, information and belief having made all reasonable enquiries and as confirmed by City Bloom, City Bloom and its ultimate beneficial owners are third parties independent of Business Ally, CCBI International Securities Limited and their respective connected persons.

#### ***Principal terms of the Remaining US\$15M Convertible Bonds as altered***

Issuer: The Company

Principal Amount: US\$15 million

Interest: The Remaining US\$15M Convertible Bonds bear interest from and including the issue date and up to (i) the maturity date; (ii) the date on which redemption is completed pursuant to the conditions of the Remaining US\$15M Convertible Bonds; or (iii) the date of actual receipt by the holder(s) of the Remaining US\$15M Convertible Bonds of the share certificate(s) of the Shares to be allotted and issued upon exercise of the conversion rights attaching to the Remaining US\$15M Convertible Bonds, whichever is the earliest, at the interest rate of 8.0% per annum.

Interest of the Remaining US\$15M Convertible Bonds shall be payable semi-annually.



Maturity:	The date falling on the third anniversary of the completion date of the Third Supplemental Agreement.
Conversion Price:	The conversion price is HK\$0.27 per Share (subject to adjustment) which is determined after arm's length negotiations between the Company, City Bloom and Business Ally and is equivalent to the existing conversion price of the US\$30M Convertible Bonds.
Conversion rights:	The holder(s) of the Remaining US\$15M Convertible Bonds has/have the right to convert in part or in whole the Remaining US\$15M Convertible Bonds into Shares during the period from three months after the issue date up to ten Business Days prior to the maturity date of the Remaining US\$15M Convertible Bonds, provided that, amongst others, in any event, the conversion of any part of the Remaining US\$15M Convertible Bonds shall not cause (i) to the extent that following such conversion, the relevant holder of the Remaining US\$15M Convertible Bonds and parties acting in concert with it (as defined in the Takeovers Code), taken together, will directly or indirectly, control or be regarded as interested in 20% or more of the entire issued Shares; or (ii) if immediately after such conversion, the public float of the ordinary shares in the share capital of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange.
Ranking of the Conversion Shares:	The Shares to be allotted and issued upon exercise of the conversion rights attaching to the Remaining US\$15M Convertible Bonds, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue.
Ranking of the Remaining US\$15M Convertible Bonds:	The Remaining US\$15M Convertible Bonds rank (i) pari passu and ratably without preference among themselves; and (ii) rank in priority to other unsecured obligations of the Company.

Transferability:

The Remaining US\$15M Convertible Bonds may only be assigned or transferred by the holder(s) of the Remaining US\$15M Convertible Bonds by giving to the Company at least ten Business Days' written notice of the proposed transfer of the Remaining US\$15M Convertible Bonds and subject to compliance of the conditions under the Remaining US\$15M 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 Shares to be allotted and issued upon exercise of the conversion rights attaching to the Remaining US\$15M Convertible Bonds, if so imposed by the Stock Exchange; and
- (iii) all applicable laws and regulations, if any.

Voting rights:

The Remaining US\$15M Convertible Bonds do not confer any voting rights on the holder(s) thereof (prior to the conversion of the Remaining US\$15M Convertible Bonds into the Shares) at any meeting of the Company.

Redemption at maturity:

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company shall redeem each of the Remaining US\$15M Convertible Bonds on the maturity date of the Remaining US\$15M Convertible Bonds at an amount that equals to 100% of the principal amount of the Remaining US\$15M Convertible Bonds so redeemed, plus an amount that would yield an IRR of 15% thereon calculated from the issue date up to (and including) the actual date of payment (for the avoidance of doubt, such IRR of 15% shall include all interests (other than default interest) previously paid to the holder(s) of the Remaining US\$15M Convertible Bonds).

Redemption right of the Company:

The Company shall have the right at any time during the period commencing from the issue date and expiring on the maturity date of the Remaining US\$15M Convertible Bonds to redeem the whole or part of the outstanding amount of the Remaining US\$15M Convertible Bonds plus an amount that would yield an IRR of 15% on the outstanding principal amount of the Remaining US\$15M Convertible Bonds from the issue date up to (and including) the date of actual redemption (for the avoidance of doubt, such IRR of 15% per annum shall include all interests (other than default interest) previously paid to the holder(s) of the Remaining US\$15M Convertible Bonds provided that:

- (i) the Company shall have given to the holder(s) of the Remaining US\$15M Convertible Bonds not less than seven Business Days' prior notice of its intention to make such redemption, specifying the amount to be redeemed and the date of such redemption; and
- (ii) any redemption shall be made in amounts of not less than a whole multiple of US\$5,000,000.

Redemption for change of control:

Following the occurrence of a change of control of the Company, each holder of the Remaining US\$15M Convertible Bonds will have the right, at its option, to require the Company to redeem all the Remaining US\$15M Convertible Bonds held by it at the redemption price, which is calculated as an amount that equals to 100% of the principal amount of the Remaining US\$15M Convertible Bonds so redeemed, together with an amount that would yield an IRR of 15% thereon calculated from the issue date up to (and including) the actual date of payment (for the avoidance of doubt, such IRR of 15% shall include all interests (other than default interest) previously paid to the holder(s) of the Remaining US\$15M Convertible Bonds) and any accrued but unpaid interest thereon.

For the purpose of the terms and conditions of the Remaining US\$15M Convertible Bonds, change of control of the Company means:

- (i) any person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, acquire the beneficial ownership or power to direct the vote of 30% of the votes entitled to be cast at a meeting of the members or shareholders of the Company; or
- (ii) there is any change in the ultimate beneficial ownership (up to individual level) of any corporate shareholder of the Company which holds 30% or above of the voting rights of the Company, unless the change in the ultimate beneficial ownership to individual level of any corporate shareholder is as a result of any acquisition by the Company of any asset, the value of which exceeds HK\$100,000,000.

Adjustments to the conversion price:

The conversion price of the Remaining US\$15M Convertible Bonds will be adjusted in accordance with the relevant provisions under the terms and conditions of the Remaining US\$15M Convertible Bonds upon occurrence of, including but not limited to, 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 capitalisation 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 Shareholders or shall grant to such Shareholders 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 Shareholders 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% 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% of the market price at the date of the announcement of the terms of issue of such securities;
- (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% of the market price at the date of the announcement of the terms of such issue;
- (vii) upon the average closing price of one Share on the Stock Exchange as quoted in the official daily quotation sheet of the Stock Exchange (or the equivalent) for all the Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place during the month in which the financial year-end day of the Company falls in any calendar year plus a premium of 15% thereof is lower than the respective applicable conversion price of the Remaining US\$15M Convertible Bonds in force; or

(viii) as long as there are any outstanding Remaining US\$15M Convertible Bonds, in the event that the Company issue and/or allot Shares and any other convertible or exchangeable securities at an issue or conversion price below the conversion price of the Remaining US\$15M Convertible Bonds or otherwise grant any right or option to any person entitling him/her/it to subscribe for any Shares in the capital of the Company at a price below the conversion price of the Remaining US\$15M Convertible Bonds, the holder(s) of the Remaining US\$15M Convertible Bonds shall have the right to adjust the conversion price of the Remaining US\$15M Convertible Bonds to be equivalent to the issue/conversion/subscription price (as the case may be) of such subsequent arrangements.

Negative pledge and security:

The Remaining US\$15M Convertible Bonds will be secured by (i) the share charge to be executed by City Bloom or such person(s) as nominated by it as the warrantor(s) of the Remaining US\$15M Convertible Bonds (as the chargor) in favor of Business Ally (as the chargee) over certain number of the Shares; (ii) the charge on certain number of the Consideration Bonds (the “**New Charge on Shares**” and “**New Charge on CB**” respectively), which shall be held by the warrantor(s) of the Remaining US\$15M Convertible Bonds upon Completion; and (iii) the personal guarantee to be provided by Mr. Zhang (the “**Personal Guarantee**”), on first priority basis, provided that the total market value of the charged assets under the New Charge on Shares and the New Charge on CB and any Shares and/or any other securities deposited by the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) in a securities account designated by the holder(s) of the Remaining US\$15M Convertible Bonds (or in the case of convertible securities, the certificates of which have been delivered to the holder(s) of the Remaining US\$15M Convertible Bonds) based on the volume weighted average price of the Shares quoted on the Stock Exchange for the five consecutive trading days (the “**Total Market Value**”) shall not be less than three times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds from time to time and in the event that the Total Market Value is below two times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds from time to time, without prejudice to other rights and remedies available to Business Ally, upon the receipt of a notice from



Business Ally to the Company that the Total Market Value is below two times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds (the “**Top-up Notice**”), the Company and the warrantor(s) of the Remaining US\$15M Convertible Bonds shall, within five trading days upon such the Company’s receipt of the Top-up Notice, provide additional security in favour of Business Ally to the satisfaction of Business Ally and/or comply with the arrangements as requested by the holder(s) of the Remaining US\$15M Convertible Bonds in order to secure the due performance of the obligations of all parties (other than Business Ally) under the New Charge on Shares and the New Charge on CB, such that the total market value of the charged and/or deposited securities shall not be less than three times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds at the time.

In the event that the Total Market Value exceeds four times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds, the Company and the warrantor(s) of the Remaining US\$15M Convertible Bonds shall be entitled to withdraw such an amount of the Shares and the securities deposited and/or charged under the New Charge on Shares and the New Charge on CB and/or as part of the additional security to Business Ally as mentioned above (“**Additional Securities**”) by the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) in a securities account designated by the holder(s) of the Remaining US\$15M Convertible Bonds (or in the case of convertible securities, a return from the holder(s) of the Remaining US\$15M Convertible Bonds of the certificates representing the relevant convertible securities) (if any), respectively (the “**Withdrawal**”), so that the total market value of the charged/deposited securities shall be reinstated to four times of the outstanding principal amount of the Remaining US\$15M Convertible Bonds, provided that (i) a Withdrawal shall be conducted in the following order: first, the securities deposited by the warrantor(s) of the Remaining US\$15M Convertible Bonds and after the withdrawal of all such deposited securities, the charged securities under the New Charge on Shares and New Charge on CB and the Additional Securities; (ii) within six months after the date of completion of the Third Supplemental Agreement (“**Prescribed Period**”) any such Shares and/or any other securities so withdrawn from the account designated by the holder(s) of the Remaining US\$15M Convertible Bonds shall (a) be used solely as security

to any debt financing of the Company or warrantor(s) of the Remaining US\$15M Convertible Bonds; (b) if in form of Shares, not transferable to any third party during the Prescribed Period; and (c) if in form of convertible securities of the Company, not transferable to any third party unless such proposed transferee provides an undertaking to the holder(s) of the Remaining US\$15M Convertible Bonds (in form and substance to the satisfaction of the holder(s) of the Remaining US\$15M Convertible Bonds) not to exercise the conversion right attached to the securities that are proposed to be transferred during the Prescribed Period, and a further undertaking to deposit the certificates of such securities to be transferred with the holder(s) of the Remaining US\$15M Convertible Bonds to retain until the expiry of the Prescribed Period; and (iii) if the Withdrawal is after the Prescribed Period, any such Shares and/or any other securities so withdrawn from the securities account designated by the holder(s) of the Remaining US\$15M Convertible Bonds may be used for any purpose. For this purpose, the holder(s) of the Remaining US\$15M Convertible Bonds shall provide necessary assistance to the Company with respect to the Withdrawal.

Without prejudice to abovementioned conditions, the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) shall not, whilst any of the Remaining US\$15M Convertible Bonds is outstanding, (i) in the case that the securities deposited by the warrantor(s) of the Remaining US\$15M Convertible Bonds securities are in the form of Shares, or in respect of the securities charged under the New Charge on Shares, withdraw the same from the securities account designated by the holder(s) of the Remaining US\$15M Convertible Bonds, (ii) in the case that the securities deposited by the warrantor(s) of the Remaining US\$15M Convertible Bonds are in the form of convertible securities, or in respect of securities charged under the New Charge on CB be entitled to the return of the relevant certificates; and (iii) transfer or cause to be transferred to any other person the securities deposited by the warrantor(s) of the Remaining US\$15M Convertible Bonds and securities charged under the New Charge on Shares and New Charge on CB, unless prior written consent of the holder(s) of the Remaining US\$15M Convertible Bonds is obtained.

Guaranteed return:

If any of the following events occurs on or after the completion date of the Third Supplemental Agreement, holder(s) of the Remaining US\$15M Convertible Bonds shall have the right to issue a written notice to the Company to request for repayment of all outstanding principal amount under the Remaining US\$15M Convertible Bonds together with the guaranteed return of the Remaining US\$15M Convertible Bonds:

- (i) the Company fails to pay any interest accrued on each interest payment date; or
- (ii) the Company fails to redeem any of the Remaining US\$15M Convertible Bonds pursuant to the terms of the Remaining US\$15M Convertible Bonds; or
- (iii) any event of default as specified in the instrument; or
- (iv) any direct or indirect disposal of any material asset of the Company which its value exceeds 20% of the net asset value of the Group as shown in its latest audited consolidated accounts to any third parties without any prior written consent by the holder(s) of the Remaining US\$15M Convertible Bonds.

The guaranteed return of the Remaining US\$15M Convertible Bonds is a gross return of its outstanding principal amount plus an amount that would yield an IRR of 25% thereon calculated from the issue date up to (and including) the actual date of payment and shall include all interest (including default interest if any) previously paid to the holder(s) of the Remaining US\$15M Convertible Bonds.

Events of default:

If any of the following events occurs, the holder(s) of the Remaining US\$15M Convertible Bonds may give notice to the Company that the Remaining US\$15M Convertible Bonds is, and it shall on the giving of such notice immediately become, due and payable at the principal amount of the Remaining US\$15M Convertible Bonds:

- (a) the Company fails to pay the principal amount and/or interest under the Remaining US\$15M Convertible Bonds or any indebtedness of HK\$10,000,000 or above when due unless such non-payment is due solely to administrative or technical error and payment is made within seven days of the due date thereof; or

- (b) the Company fails to deliver the Shares as and when the Shares are required to be delivered following conversion of the Remaining US\$15M Convertible Bonds and such failure continues for 14 days; or
- (c) the Company or such person(s) as nominated by it (as the case may be) defaults in its performance of or observance of or compliance with any of its material obligations set out therein and in the New Charge on Shares which default is incapable of remedy or, if in the reasonable opinion of holder(s) of the Remaining US\$15M Convertible Bonds and the chargee (for the New Charge on Shares) capable of remedy, is not remedied within 14 Business Days after notice of such default shall have been given to the Company by such holder(s) of the Remaining US\$15M Convertible Bonds or the chargee for the New Charge on Shares; or
- (d) the warrantor(s) of the Remaining US\$15M Convertible Bonds defaults in its performance of or observance of or compliance with any of its material obligations set out in the New Charge on CB which default is incapable of remedy or, if in the opinion of the holder(s) of the Remaining US\$15M Convertible Bonds and the chargee for the New Charge on CB capable of remedy, is not remedied within 14 Business Days after notice of such default shall have been given to the Company by such holder(s) of the Remaining US\$15M Convertible Bonds or the chargee for the New Charge on CB; or
- (e) any breaches of the covenants, obligations and responsibilities by the parties (other than the holder(s) of the Remaining US\$15M Convertible Bonds) to the New Charge on CB, the New Charge on Shares, or any other security documents which the Company and/or the warrantor(s) of the Remaining US\$15M Convertible Bonds may enter into with the holder(s) of the Remaining US\$15M Convertible Bonds to provide additional security as required under the terms and conditions of the Remaining US\$15M Convertible Bonds has occurred; or

- (f) an encumbrancer takes possession of or an administrative or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its material subsidiaries; or
- (g) the Company or any of its material subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company or any of its material subsidiaries or suffers the appointment of any administrator, liquidator or receiver of the Company or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a re-adjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or
- (h) a compulsory winding up order is made or an effective resolution passed for the winding up or dissolution or administration of the Company or any of its material subsidiaries or the Company or any of its material subsidiaries ceases or threatens (through an official act of the board of directors or any other similar governing body) to cease to carry on all or part of its business or operations of the material subsidiaries (as defined hereinafter), save and except pursuant to any corporate re-organization or restructuring of the Company and its material subsidiaries; or
- (i) any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its material subsidiaries; or

- (j) substantial sale of assets which is (a) not in ordinary course of business; and (b) the value of which exceeds 20% of the net asset value of the Company as shown in its latest consolidated audited accounts unless prior consent was obtained from the holder(s) of the Remaining US\$15M Convertible Bonds, of which the holder(s) of the Remaining US\$15M Convertible Bonds cannot unreasonably withhold such consent; or
- (k) (a) any other present or future indebtedness (whether actual or contingent) of the Company or any of the Company's material subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default or event of default (howsoever called) which is not remedied within any applicable grace period or (b) any such indebtedness is not paid when due or within any applicable grace period or (c) the Company or any of the material subsidiaries fails to pay when due or within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of any moneys borrowed or raised provided that the aggregate principal amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph have occurred equals or exceeds HK\$10,000,000 (or its equivalent in any other currency or currencies); or
- (l) a distress, attachment, execution, seizure before judgment or other legal process is levied or enforced upon or sued out against any material part of the undertaking, property, assets or revenues of the Company or any material subsidiaries, which is material to the Company and its material subsidiaries as a whole, and is not discharged or stayed within 60 days thereof; or

- (m) one or more final judgments or orders for the payment of money exceeding HK\$10 million (or its equivalent in any other currency or currencies) are rendered against the Company or any of its material subsidiaries with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or thereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar officers of the Company or any of its material subsidiaries or for any substantial part of the property and assets of the Company or any of its material subsidiaries and such involuntary case or other proceeding remains un-dismissed and un-stayed for a period of 60 consecutive days; or
- (n) an order for relief is entered against the Company or any of its material subsidiaries under any applicable bankruptcy, insolvency or other similar law as now or thereafter in effect; or
- (o) (a) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its material subsidiaries; or (b) the Company or any of its material subsidiaries is prevented from exercising normal control over all or any substantial part of its property, assets and turnover; or
- (p) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) lawfully to enter into, exercise its rights and perform and comply with its obligations under the Remaining US\$15M Convertible Bonds, the New Charge on CB and the New Charge on Shares, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Remaining US\$15M Convertible Bonds, the New Charge on CB and the New Charge on Shares admissible in evidence in the courts of Bermuda, BVI or Hong Kong is not taken, fulfilled or done; or



- (q) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) lawfully to enter into, exercise its rights and perform and comply with its obligations under the Remaining US\$15M Convertible Bonds and the New Charge on CB, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Remaining US\$15M Convertible Bonds and the New Charge on CB admissible in evidence in the courts of Bermuda, BVI or Hong Kong is not taken, fulfilled or done; or
- (r) it is or will become unlawful for the warrantor(s) of the Remaining US\$15M Convertible Bonds or such person(s) as nominated by it (as the case may be) to perform or comply with any one or more of its material obligations under any of the Remaining US\$15M Convertible Bonds, the New Charge on CB and the New Charge on Shares; or
- (s) it is or will become unlawful for Mr. Zhang to perform or comply with any one or more of its material obligations under any of the Remaining US\$15M Convertible Bonds and the Personal Guarantee; or
- (t) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (u) the occurrence of any event, development or change which in the reasonable opinion of the holder(s) of the Remaining US\$15M Convertible Bonds would materially adversely affect the business or financial prospects of the Company or any of its material subsidiaries; or
- (v) any event of default as set out in other convertible securities agreements with security interests exceeding HK\$10,000,000 having occurred; or

- (w) any breach of the terms and conditions of the Remaining US\$15M Convertible Bonds and the Convertible Bond Subscription Agreement (as amended and supplemented by a supplemental letter dated 21 September 2010 and further amended by two supplemental agreements dated 29 October 2011 and 6 January 2012 respectively and by the Third Supplemental Agreement) and any transaction documents in relation to the Remaining US\$15M Convertible Bonds by the Company; or
- (x) the Company fails to provide the required level of security as requested by the holder(s) of the Remaining US\$15M Convertible Bonds pursuant to the conditions and the terms of the Remaining US\$15M Convertible Bonds; or
- (y) so long as any amount under the Remaining US\$15M Convertible Bonds remains outstanding, the Company fails to maintain the net asset value of the Group (as shown in the audited consolidated financial statements of the Group) at HK\$300,000,000 or above; or
- (z) the Company issues any convertible securities subsequent to the date of Completion and the maturity date of such securities is earlier than 31 December 2015.

Application for listing:

No application will be made for the listing of the Remaining US\$15M Convertible Bonds.

Pursuant to the second supplemental agreement to the Convertible Bonds Subscription Agreement dated 6 January 2012, Mountain Sky has charged, in favour of Business Ally, (i) 986,054,490 CPS registered under its name; and (ii) all Shares registered under its name (i.e. the 155,350,000 Shares) (collectively referred to as the “**Additional Charges**”), in addition to the 514,932,886 CPS, which were charged by Mountain Sky in favour of Business Ally, and the entire issued share capital of Green Paradise Enterprises Limited, which were charged by NARG in favour of Business Ally, under the original terms of the US\$30M Convertible Bonds. The details of the Additional Charges have been disclosed in the Company’s circular dated 8 February 2012 and the Company has carried out all reasonable work including obtaining relevant copies of minutes and resolutions from Mountain Sky, and a copy of the legal opinion based on the laws of the BVI addressed to Business Ally, in relation to the execution of the Additional Charges. Based on the above, the Board considers that the Additional Charges were duly executed by Mountain Sky and proper authorisation has been obtained by the relevant parties for the execution of the same.

By entering into the Third Supplemental Agreement together with the Subscription Agreement, Business Ally also conditionally agreed to give its consent to the entering into of the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement by the relevant parties and further confirms that the entering into the aforesaid agreements and the transactions contemplated thereunder will not constitute breach of the terms of the US\$30M Convertible Bonds. Business Ally further undertook that it would release and discharge (i) the share charge over the entire issued share capital of Green Paradise Enterprises Limited; and (ii) the share charges over the 155,350,000 Shares and 1,500,987,376 CPS held by Mountain Sky upon the simultaneous completion of the Acquisition Agreement, the Disposal Agreement, the Mountain Sky Agreement and the Subscription Agreement.

By the entering into the Third Supplemental Agreement, City Bloom undertakes (or procure its nominee(s) to undertake (as the case may be)) to the holder(s) of the Remaining US\$15M Convertible Bonds that upon Completion, City Bloom or its nominee(s) (as the case may be) will deposit such amount of Shares and/or convertible securities of the Company as agreed between City Bloom and the holder(s) of the Remaining US\$15M Convertible Bonds that shall be issued, allotted or transferred (as the case may be) to it by (i) the Company under the Acquisition Agreement as Consideration Shares, and (ii) Mountain Sky under the Mountain Sky Agreement with the securities account designated by the holder(s) of the Remaining US\$15M Convertible Bonds.

### ***Conditions precedent to the Third Supplemental Agreement***

Completion of the Third Supplemental Agreement and the Proposed Alteration to the terms of the Remaining US\$15M Convertible Bonds shall be conditional upon fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of the ordinary resolutions to approve, among others, the Third Supplemental Agreement and the transactions contemplated thereunder;
- (b) the obtaining of the approval from the Stock Exchange (if required and necessary) in relation to the Proposed Alteration;
- (c) the obtaining of all necessary consents and approvals required to be obtained by all parties to the Third Supplemental Agreement, the Subscription Agreement, the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement in respect of the transactions contemplated therein;
- (d) the Acquisition Agreement having become unconditional (other than the condition that the Third Supplemental Agreement shall become unconditional) and the transactions contemplated thereby shall be completed simultaneously with the transactions contemplated under the Third Supplemental Agreement and the Subscription Agreement;

- (e) the Disposal Agreement having become unconditional (other than the condition that the Third Supplemental Agreement shall become unconditional) and the transactions contemplated thereby shall be completed simultaneously with the transactions contemplated under the Third Supplemental Agreement and the Subscription Agreement;
- (f) the Mountain Sky Agreement having become unconditional (other than the condition that the Third Supplemental Agreement shall become unconditional) and the transactions contemplated thereby shall be completed simultaneously with the transactions contemplated under the Third Supplemental Agreement and the Subscription Agreement;
- (g) the Subscription Agreement having become unconditional (other than the condition that the Third Supplemental Agreement shall become unconditional) and the transactions contemplated thereby shall be completed simultaneously with the transactions contemplated under the Third Supplemental Agreement; and
- (h) a deed of indemnification in connection with the Indemnified Claims entered into between Ultra Asset as indemnifying party and Business Ally is being duly executed and delivered by Ultra Asset to Business Ally.

If the above conditions have not been fulfilled on or before 31 December 2012 (or such later date as the parties to the Third Supplemental Agreement may agree in writing), the Third Supplemental Agreement shall lapse and thereafter neither party to the Third Supplemental Agreement shall have any rights or obligations towards the other except in respect of any antecedent breach.

As at the date of this announcement, save for condition (h), no other condition precedent under the Third Supplemental Agreement has been fulfilled.

### ***Completion of the Proposed Alteration***

Completion of the Proposed Alteration shall take place on the third Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent to the Third Supplemental Agreement (or such other date as the parties to the Third Supplemental Agreement may agree). Ultra Asset holds 81.19% interest in Mountain Sky as at the date hereof. With the aim to facilitating the completion of the Subscription Agreement and the Third Supplemental Agreement so that (i) the share charge over the entire issued share capital of Green Paradise Enterprises Limited; the share charges over the 155,350,000 Shares and 1,500,987,376 CPS held by Mountain Sky will be released by Business Ally; and (ii) the Disposal will be completed simultaneously, Ultra Asset, being the controlling shareholder of Mountain Sky, is willing to convert a portion of the CPS for 19,452,727 Shares and to transfer in total 200,000,000 Shares to CCBI International Securities Limited, an affiliate of Business Ally, (or its nominee(s)) at a consideration of

HK\$1. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ultra Asset has no direct commercial or banking or any other past or current relationship with Business Ally and its ultimate beneficial owner(s) except through Mountain Sky for the abovementioned pledging of the 155,350,000 Shares and 1,500,987,376 CPS held by Mountain Sky to Business Ally pertaining to the US\$30M Convertible Bonds.

The respective completion of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement shall take place simultaneously.

## **VI. THE SHARE SALE**

To facilitate the payment of the consideration for the Disposal, on 12 June 2012, Mountain Sky and City Bloom entered into the Mountain Sky Agreement and pursuant to which Mountain Sky has conditionally agreed to sell and City Bloom has conditionally agreed to purchase an aggregate of 155,350,000 Shares and 1,500,987,376 CPS at a consideration of HK\$600 million.

The consideration under the Mountain Sky Agreement shall be settled by the application of the payment of an equivalent amount payable by Guang Cheng to City Bloom pursuant to the Acquisition Agreement to satisfy part of the consideration for the Acquisition. In turn, Mountain Sky shall authorise the payment of the consideration under the Mountain Sky Agreement to be applied towards the payment of an equivalent amount payable by Mountain Sky to the Company as the consideration under the Disposal Agreement and in turn as part of the consideration of the Acquisition payable by Guang Cheng to City Bloom, upon completion of the Acquisition.

Pursuant to the Mountain Sky Agreement, its completion is conditional upon, among other things, the entering into of the Subscription Agreement and the Third Supplemental Agreement by 5:00 p.m. on 7 September 2012 and each of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the Third Supplemental Agreement having become unconditional (other than the condition for the Mountain Sky Agreement to become unconditional) by 5:00 p.m. on 31 December 2012.

The respective completion of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement and the Mountain Sky Agreement shall take place simultaneously.

The Company has obtained a legal opinion based on the laws of the BVI regarding the execution of the Mountain Sky Agreement and is of the view that the Mountain Sky Agreement was duly executed by Mountain Sky with proper authorisation. Relevant legal opinions based on the laws of the BVI regarding the proper authorisation and execution of the Disposal Agreement and the Additional Charges have also been obtained.

## VII. EFFECTS OF THE TRANSACTIONS AND SHARE SALE ON THE SHAREHOLDING OF THE COMPANY

The following table set out, for illustrative purpose only, the effect of the Disposal, the Acquisition, the Subscription and the Share Sale on the shareholding structure of the Company immediately after Completion:

Shareholders	As at the date of this announcement		Immediately after completion of the Transactions and the Share Sale, and assuming Ultra Asset converts a portion of the CPS for 19,452,727 Shares and transfers in total 200 million Shares to Business Ally		Immediately after the conversion of all the CPS and convertible bonds of the Company (for illustration purpose only)	
	Shares	%	Shares	%	Shares	%
Mountain Sky	155,350,000	13.65	–	–	–	–
Ultra Asset	180,547,273	15.86	–	–	418,615,909 <i>(Note 2)</i>	1.59
Get Best Management Ltd.	–	–	–	–	227,272,727 <i>(Note 2)</i>	0.86
Business Ally	–	–	318,000,000 <i>(Note 3)</i>	19.90	1,488,068,254 <i>(Note 5)</i>	5.65
City Bloom	–	–	477,850,000 <i>(Note 4)</i>	29.90	23,402,193,943 <i>(Note 6)</i>	88.85
Directors and directors of the subsidiaries of the Group	12,370,820	1.09	12,370,820	0.78	12,370,820	0.05
Public	789,739,485	69.40	789,739,485	49.42	789,739,485	3.00
<b>Total</b>	<b>1,138,007,578</b>	<b>100.00</b>	<b>1,597,960,305</b>	<b>100.00</b>	<b>26,338,261,138</b>	<b>100.00</b>

*Notes:*

1. Assuming no conversion of the US\$30M Convertible Bonds into Shares by Business Ally before Completion.
2. As at the date of this announcement, Ultra Asset and Get Best Management Ltd. are holding 358,500,400 CPS and 200,000,000 CPS, respectively which are respectively convertible into 438,068,636 Shares and 227,272,727 Shares. Upon completion of the Transactions and the Share Sale, Ultra Asset will convert a portion of the CPS held by it to 19,452,727 Shares and transfer in total 200 million Shares to Business Ally.
3. Pursuant to the Subscription Agreement, the Subscription Ordinary Shares and Subscription CPS that shall be issued and allotted by the Company and subscribed by Business Ally upon Completion shall be subject to adjustment such that at Completion, Business Ally shall be issued and allotted such number of ordinary Shares that would give Business Ally and any parties acting in concert with it an aggregate interest just less than 20% shareholding in the total issued ordinary share capital of the Company.
4. Pursuant to the Acquisition Agreement, the number of Consideration Shares to be issued and allotted by the Company together with the Shares then held by City Bloom and any parties acting in concert with it shall be equivalent to 29.9% of the issued ordinary Shares at Completion.
5. For illustration purpose only, the figure represents the sum of (i) 200,000,000 Shares to be transferred to Business Ally by Ultra Asset; (ii) 857,512,699 Shares, being the maximum number of Subscription Ordinary Shares and Subscription CPS to be issued, which is calculated by dividing the sum of US\$15 million (equivalent to approximately HK\$116.3 million, being part of outstanding principal amount of the US\$30M Convertible Bonds to be capitalised under the Subscription Agreement), and US\$3,809,956 (equivalent to approximately HK\$29,527,159, being the Additional Interest assuming the Completion Date is on 31 December 2012), by the issue price of HK\$0.17 per Subscription Ordinary Share and Subscription CPS; and (iii) 430,555,555 Shares to be issued upon conversion of the Remaining US\$15M Convertible Bonds at the conversion price of HK\$0.27 per Share.
6. For illustration purpose only, the figure represents the sum of (i) 21,541,176,471 Shares, being the maximum Consideration Shares to be issued, which is calculated by dividing the remaining balance of the consideration of the Acquisition after deducting (a) the settlement of HK\$600 million under the Mountain Sky Agreement; and (b) the cash payment or issue of the Promissory Note of HK\$400 million, i.e. HK\$3,662,000,000 by the issue price of HK\$0.17 per Consideration Share, and assuming no Consideration Bond is issued; (ii) 155,350,000 Shares to be transferred under the Mountain Sky Agreement; and (iii) 1,705,667,472 Shares to be issued upon the conversion of the 1,500,987,376 CPS to be transferred under the Mountain Sky Agreement.



## **VIII. REASONS FOR THE TRANSACTIONS**

The Group is principally engaged in the distribution of information technology products, mining operation, trading of iron and alluvial gold and coal trading and logistics. The Group has been engaged in the mining business since 2009 through the acquisitions of the Iron Mine.

### **The Acquisition**

The Group is confident of the prospects of the resources and commodity mining business and it is the Group's strategy to continuously look for merger and acquisition opportunities in this industry. The Board believes that the Acquisition represents a valuable investment opportunity for the Group, having considered the substantial amount of measured and indicated resources at the Coal Mines and the future growth opportunity, the improved safety standards required to be implemented at the Coal Mines by the PRC authorities, the expected re-commencement of production of the Coal Mines and therefore the ability of the Coal Mines to generate revenue and cash flow to the Group. The Directors (other than the members of the Independent Board Committee) consider that the terms of the Acquisition are fair and reasonable and on normal commercial terms and that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

### **The Disposal**

As disclosed in the Company's 2011 annual report, the NARG Group faced some unexpected challenges in the form of adverse weather conditions, nation-wide diesel shortage and technical problems with its production equipment and machinery during the first half of the year. The mining operation at Oyut Ovoo was halted pending resolution of the technical issues. During the second half of 2011, the management of the Company dedicated its attention on fixing the technical issues together with the equipment supplier. Up to the date of this announcement, the technical issues have almost been resolved pending further testing and fine tuning of the equipment. There has also been a similar delay in the overall construction progress of the docking facility near the Choir city railway station by the NARG Group. Moreover, as a result of an increase in the required area of construction of the docking facility and significant escalation in the costs of fuel, materials and labor, the construction of the docking facility has been further delayed.

The Group did not sell any iron ore products as management's efforts were devoted towards resolving the technical issues mentioned. Given the iron production schedule has been delayed, the production scale of the Iron Mine was relatively small. With the unsatisfactory logistics conditions in Mongolia, the NARG Group has to bear high transportation cost and lacks bargaining power to attract large-scale customers.

In the second quarter of 2011, the Company began the coal trading business with 10 trucks at Gants Mod. A trial run for the Ceke operation (which involved both road and rail transportation) was carried out towards the end of the year 2011. However, this business is still at an early stage and would also require significant working capital for this trading business to succeed.

In light of the issues surrounding the Iron Mine operation and the start-up status of the coal trading business, the Board believes that the Disposal is in the interest of the Company and the Shareholders as a whole, as it would allow the Group to focus its resources on the Coal Mines which are expected to generate more attractive returns to the Group. In order to facilitate completion of the Acquisition and having taken into account the uncertainty surrounding the Iron Mine operation as mentioned above and the start-up status of the coal trading business, the Company proposed to dispose of the existing Iron mining and coal trading businesses to Mountain Sky under the Disposal Agreement so that the consideration of the Disposal of HK\$600 million can be used to settle part of the consideration for the Acquisition. The Directors (other than the members of the Independent Board Committee) consider that the terms of the Disposal are fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

### **The Subscription and the Proposed Alteration**

The outstanding principal amount of the US\$30M Convertible Bonds including accrued interest as at the date of this announcement is US\$30.08 million (equivalent to approximately HK\$233.1 million). The Board believes that the Subscription will enable the Group to reduce its liabilities and the potential cash outflow which would otherwise be required for the repayment of the US\$30M Convertible Bonds at maturity (i.e. 13 December 2012), as well as strengthen its capital base.

The Proposed Alteration is arrived at after the arm's length negotiations between the Company and Business Ally and the Proposed Alteration becoming unconditional is one of the conditions for the release by Business Ally in full the charges on the entire issued share capital of Green Paradise Enterprises Limited, the 155,350,000 Shares and 1,500,987,376 CPS held by Mountain Sky. In order to facilitate the consummation of the Acquisition Agreement and Disposal Agreement, Business Ally also conditionally agreed to (i) convert and capitalise up to half of the outstanding amount of the US\$30M Convertible Bonds; (ii) release the charge on the Shares and CPS currently held by Mountain Sky; and (iii) consent to the Acquisition and the Disposal, pursuant to the Subscription Agreement and the Third Supplemental Agreement.

Taking into account of (i) the recent financial performance and financial position of the Group; (ii) the payment obligation of US\$30 million (equivalent to approximately HK\$232.5 million) on 13 December 2012, being the maturity date of the US\$30M Convertible Bonds; (iii) the Group's unaudited bank balances and cash of approximately HK\$33.0 million as at 30 June 2012; (iv) the issue price of the Consideration Shares of HK\$0.17 each; (v) the unconditional consent given by Business Ally for the entering into the Acquisition Agreement, the Disposal Agreement and the Mountain Sky Agreement by the relevant parties; and (vi) the extension of the maturity date of the Remaining US\$15M Convertible Bonds under the Proposed Alteration, the Director consider that the Subscription and the Proposed Alteration are in the interest of the Company and the Shareholders as a whole.

## **IX. LISTING RULES IMPLICATIONS**

With respect to the Acquisition, as the relevant percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. Since Mr. Zhang is a proposed Director (as mentioned in the paragraph headed "Completion of the Acquisition" under the section headed "The Acquisition Agreement" above) and owns 70% of the equity interest in City Bloom, the Acquisition also constitutes a connected transaction for the Company under Rule 14A.13(b)(i) of the Listing Rules and is thus subject to the Independent Shareholders' approval by way of poll at the SGM.

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As Mountain Sky is a substantial Shareholder, Mountain Sky is a connected person of the Company under the Listing Rules and thus the Disposal constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM.

The issue of the Subscription CPS, the Subscription Ordinary Shares and the Conversion Shares (as converted from the Subscription CPS) under the Subscription Agreement, and the Consideration Shares and Conversion Shares (as converted from the Consideration Bonds) under the Acquisition Agreement are subject to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, the Proposed Alteration shall be subject to the approval of the Stock Exchange. The Company will apply to the Stock Exchange for the approval of the Proposed Alteration. Since the Proposed Alteration will constitute a material change to the terms and conditions of the US\$30M Convertible Bonds, besides approval from the Stock Exchange, the Independent Shareholders' approval will also be required.

As the respective completion of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the Third Supplemental Agreement are conditional upon each other, City Bloom, Mountain Sky, Ultra Asset, Business Ally and their respective associates (to the extent where they are Shareholders) are required to abstain from voting in respect of the resolutions to approve the Transactions to be proposed at the SGM.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, and the transactions contemplated thereunder, the Third Supplemental Agreement, the Proposed Alteration and the Specific Mandate.

The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the transactions contemplated thereunder, the terms of the Third Supplemental Agreement, the Proposed Alteration and the Specific Mandate. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **X. GENERAL**

A circular containing, among other things, (i) details of the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement, the Third Supplemental Agreement, the Proposed Alteration, the Share Sale and the Specific Mandate; (ii) the competent person's report on the Coal Mines; (iii) the valuation reports of the Lexing Group and the Disposal Group; (iv) the financial information of the Lexing Group and the Disposal Group; (v) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (vi) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (vii) the notice to convene the SGM; and (viii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 30 November 2012 as additional time is required for the preparation and finalisation of, among other things, the competent person's report on the Coal Mines, the valuation report of the Lexing Group and the Disposal Group, and the financial information of the Lexing Group and the Disposal Group for inclusion in the circular.

## **XI. RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 June 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 9 October 2012.

Shareholders and investors should note that Completion is subject to various conditions as stated in the sections headed “Conditions precedent to the Acquisition Agreement”, “Conditions precedent to the Disposal Agreement”, “Conditions precedent to the Subscription Agreement” and “Conditions precedent to the Third Supplemental Agreement”. The Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the transactions contemplated thereunder, the Third Supplemental Agreement and the Proposed Alteration may or may not proceed. Shareholders and investors are therefore urged to exercise caution when dealing in the Shares.

## XII. DEFINITIONS

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

“Acquisition”	the acquisition of the Lexing Sale Share by Guang Cheng from City Bloom pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 12 June 2012 (as amended and supplemented by the supplemental letters dated 12 July 2012 and 27 July 2012 and a supplemental agreement dated 26 September 2012) entered into between Guang Cheng and City Bloom in relation to the Acquisition
“Action”	High Court of Justice of the BVI Claim No. BVIHC (COM) 0087 of 2012 on 21 August 2012 in connection with, amongst others, the alteration of certain terms and conditions of the US\$30M Convertible Bonds in February 2012
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors, including all independent non-executive Directors
“Bolong”	山西煤炭運銷集團古交鉑龍煤業有限公司 (Shanxi Coal Transportation and Sales Group Gujiao Bolong Mine Co., Ltd.*), a company established in the PRC and a 95%-owned subsidiary of Shanxi Coal
“Bolong Mine”	the mining area located at Malong County at the south-west of Gujiao City covering an area of approximately 5.995 km <sup>2</sup>

“Business Ally”	Business Ally Investments Limited, a company incorporated in the BVI with limited liability and the holder of the US\$30M Convertible Bonds
“Business Day”	a day (other than a Saturday, Sunday or public holiday or any day where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“City Bloom”	City Bloom Limited, a company incorporated in the BVI with limited liability
“Claims”	the claims filed by Mountain Sky Resources Holdings Limited, which is currently holding 18.81% interest in Mountain Sky, against Mountain Sky, Ultra Asset, the Company and Guang Cheng in the Action, further details of which are set out in the announcement of the Company dated 27 August 2012
“Coal Mines”	Liaoyuan Mine, Jinxin Mine, Xinfeng Mine, Bolong Mine and Fuchang Mine
“Company”	North Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 61)
“Completion”	simultaneous completion of the Transactions
“Completion Date”	the date of Completion
“concert parties” or “parties acting in concert”	has the meaning ascribed to these terms under the Takeovers Code
“Consideration Bonds”	the convertible bonds to be issued by the Company to City Bloom in the maximum principal amount of HK\$3,662 million for settlement of part of the consideration of the Acquisition
“Consideration Shares”	new Shares to be issued and allotted by the Company at Completion to settle part of the consideration of the Acquisition

“Conversion Shares”	new Share(s) to be allotted and issued to the holders of the Subscription CPS and the Consideration Bonds (as the case may be) by the Company credited as fully paid upon the exercise of the conversion rights attaching to the Subscription CPS and the Consideration Bonds at the conversion price/rate prevailing at the time the conversion notice is given by the relevant holder of the Subscription CPS and the Consideration Bonds, respectively
“Convertible Bonds Subscription Agreement”	the subscription agreement dated 8 September 2010 (as amended and supplemented by a supplemental letter dated 21 September 2010, and further amended by two supplemental agreements dated 29 October 2010 and 6 January 2012, respectively) entered into between the Company and Business Ally, under which, among other things, the Company issued, and Business Ally subscribed for the US\$30M Convertible Bonds
“CPS”	the convertible preference shares of the Company
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the NARG Sale Shares, the GLG Sale Share and the Sale Loan by the Company to Mountain Sky pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 12 June 2012 (as amended and supplemented by the supplemental letters dated 12 July 2012, 27 July 2012 and 26 September 2012) entered into between the Company and Mountain Sky in relation to the Disposal
“Disposal Group”	the GLG Group and the NARG Group collectively
“Fuchang”	山西煤炭運銷集團古交福昌煤業有限公司 (Shanxi Coal Transportation and Sales Group Gujiao Fuchang Mine Co., Ltd.*), a company established in the PRC and a 69.4%-owned subsidiary of Shanxi Coal
“Fuchang Mine”	the mining area located at Gujiao City covering an area of approximately 1.8006 km <sup>2</sup>
“GLG”	Good Loyal Group Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company before Completion



“GLG Group”	GLG and its subsidiaries
“GLG Sale Share”	one (1) share of US\$1.00 in the issued share capital of GLG, representing the entire issued share capital of GLG as at the date of the Disposal Agreement
“Greater China”	Greater China Appraisal Limited, an independent firm of professional valuer
“Group”	the Company and its subsidiaries
“Guang Cheng”	Guang Cheng Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“HK OEPC”	Hong Kong OEPC Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Lexing
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Lim Yew Kong, John, Mr. Mak Ping Leung and Mr. Leung Po Wing, Bowen Joseph ( <i>GBS, JP</i> ), formed to give recommendations to the Independent Shareholders regarding the Transactions
“Independent Shareholders”	Shareholders other than City Bloom, Mountain Sky, Ultra Asset, Business Ally and their respective associates
“Iron Mine”	a 12.01 km <sup>2</sup> mine located in Dundgobi aimag, Mongolia for the mining of iron ore and/or other related mineral ores
“IRR”	a compounded, cumulative internal rate of return, calculated at the designated annual discount rate, which, when applied to any amount, and discounted annually, produces a net present value of such amount equal to zero

“Issue Price”	the issue price of the Consideration Shares and the initial conversion price of the Consideration Bonds of HK\$0.17 per Share
“Jiangxi Hengchuang”	江西恒創能源投資有限公司 (Jiangxi Hengchuang Energy Investments Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Jiangxi Wantai
“Jiangxi Hengpuwei”	江西恒普威能源投資有限公司 (Jiangxi Hengpuwei Energy Investments Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of Jiangxi Wantai
“Jiangxi Wantai”	江西萬泰實業有限公司 (Jiangxi Wantai Enterprise Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of HK OEPC
“Jinxin”	山西煤炭運銷集團古交世紀金鑫煤業有限公司 (Shanxi Coal Transportation and Sales Group Gujiao Century Jinxin Coal Mine Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Shanxi Coal
“Jinxin Mine”	the mining area located at the south of Changgang Village of Gujiao City covering an area of approximately 0.9524 km <sup>2</sup>
“Last Trading Day”	12 June 2012, being the last trading day of the Shares on the Stock Exchange before publication of this announcement
“Lexing”	Lexing Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of City Bloom before Completion
“Lexing Group”	Lexing and its subsidiaries
“Lexing Sale Share”	one (1) share of US\$1.00 in the issued share capital of Lexing, representing the entire issued share capital of Lexing as at the date of the Acquisition Agreement
“Liaoyuan”	山西煤炭運銷集團古交遼源煤業有限公司 (Shanxi Coal Transportation and Sales Group Gujiao Liaoyuan Coal Mine Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Shanxi Coal

“Liaoyuan Mine”	the coal mining area located at Nanjiashan Village, Malong County of Gujiao City covering an area of approximately 1.9844 km <sup>2</sup>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mountain Sky”	Mountain Sky Resources (Mongolia) Limited, a company incorporated in the BVI with limited liability and a substantial Shareholder
“Mountain Sky Agreement”	the conditional agreement dated 12 June 2012 (as amended and supplemented by the supplemental letters dated 12 July 2012, 27 July 2012 and 26 September 2012) entered into between City Bloom as purchaser and Mountain Sky as vendor, pursuant to which City Bloom has conditionally agreed to acquire and Mountain Sky has conditionally agreed to sell (i) 155,350,000 Shares; and (ii) 1,500,987,376 CPS
“Mr. Zhang”	Mr. Zhang San Huo, the beneficial owner of 70% equity interest in City Bloom and a proposed Director
“NARG”	North Asia Resources Group Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company before Completion
“NARG Group”	NARG and its subsidiaries
“NARG Sale Shares”	50,000 shares of US\$1.00 each in the issued share capital of NARG, representing the entire issued share capital of NARG as at the date of the Disposal Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Companies”	collectively Shanxi Coal, Jiangxi Wantai, Jiangxi Hengchuang, Jiangxi Hengpuwei, Shanxi Ruiying, Taiyuan Zhituo, Shanxi Changtong and the PRC Mine Companies

“PRC Mine Companies”	collectively Bolong, Liaoyuan, Xinfeng, Fuchang and Jinxin which are subsidiaries of Shanxi Coal and holders of the mining permits and licenses of the Coal Mines
“PRC Owners”	Shanxi Energy Industries Group Limited and Shanxi Coal Transportation and Sales Group Co., Ltd. which own 10% and 41% of the equity interest in Shanxi Coal, respectively
“Promissory Notes”	the promissory notes in the principal amount of up to HK\$400 million to be issued by the Company to City Bloom to settle part of the consideration of the Acquisition under the Acquisition Agreement, which shall be due on the third anniversary from the date of issue
“Proposed Alteration”	the proposed alteration of certain terms and conditions of the Remaining US\$15M Convertible Bonds upon completion of the Subscription as contemplated under the Subscription Agreement
“Remaining Group”	the Company and its subsidiaries immediately after completion of the Disposal (not taking into account the Lexing Group)
“Remaining US\$15M Convertible Bonds”	the non-capitalised portion of the US\$30M Convertible Bonds with outstanding principal amount of US\$15 million immediately after Completion
“Sale Loan”	all obligations, liabilities and debts owing or incurred by NARG and GLG to the Group on or at any time prior to completion of the Disposal Agreement, whether actual, contingent or deferred and irrespective of whether the same is due and payable upon completion of the Disposal Agreement
“Set-Off Convertible Bonds”	a portion of the US\$30M Convertible Bonds of outstanding principal sum of US\$15,000,000 which is to be set off for settlement of part of the consideration for the Subscription under the Subscription Agreement
“SFC”	the Securities and Futures Commission of Hong Kong

“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement, the Acquisition Agreement, the Subscription Agreement, the Third Supplemental Agreement, the Specific Mandate, the Proposed Alteration and the transactions contemplated thereunder
“Shanxi Changtong”	山西昌通能源股份有限公司 (Shanxi Changtong Energy Share Co., Ltd.*), a company established in the PRC and owned as to 55% by Jiangxi Hengchuang and as to 45% by Jiangxi Hengpuwei
“Shanxi Coal”	山西煤炭運銷集團能源投資開發有限公司 (Shanxi Coal Transportation and Sales Group Investment and Development Co., Ltd.*), a company established in the PRC and indirectly owned as to 49% by HK OEPC
“Shanxi Land and Resources Office”	山西省國土資源廳 (Land and Resources Office of Shanxi Province)
“Shanxi Ruiying”	山西瑞盈投資管理有限公司 (Shanxi Ruiying Investment and Management Co., Ltd.), a company established in the PRC and owned as to 55% by Jiangxi Hengpuwei and as to 45% by Jiangxi Hengchuang
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Sale”	the sale of 155,350,000 Shares, representing 13.65% of the issued share capital of the Company as at the date of this announcement, and 1,500,987,376 CPS by Mountain Sky to City Bloom pursuant to the Mountain Sky Agreement
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to authorise the Directors to create the Subscription CPS and issue the Subscription Ordinary Shares and the Conversion Shares (as converted from the Subscription CPS) under the Subscription Agreement, and the Consideration Shares and the Conversion Shares (as converted from the Consideration Bonds) under the Acquisition Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of Shares in the Company by Business Ally in accordance with the terms and conditions of the Subscription Agreement, further details of which are set out in the section headed “The Subscription Agreement” in this announcement
“Subscription Agreement”	the conditional subscription agreement dated 6 September 2012 entered into between Business Ally and the Company in relation to the Subscription
“Subscription CPS”	new convertible preference shares to be allotted and issued by the Company under the Subscription Agreement
“Subscription Ordinary Share(s)”	new ordinary Share(s) to be allotted and issued by the Company under the Subscription Agreement
“Taiyuan Zhituo”	太原市智拓投資顧問有限公司 (Taiyuan Zhituo Investment Consultant Co. Ltd.,*), a company established in the PRC and owned as to 55% by Jiangxi Hengpuwei and as to 45% by Jiangxi Hengchuang
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Third Supplemental Agreement”	the third supplemental agreement to the Convertible Bonds Subscription Agreement dated 6 September 2012 entered into between the Company and Business Ally in relation to the Proposed Alteration
“Transactions”	the transactions contemplated under the Acquisition Agreement, the Disposal Agreement, the Subscription Agreement and the Third Supplemental Agreement
“Ultra Asset”	Ultra Asset International Limited, a company incorporated in the BVI with limited liability and a substantial Shareholder as at the date hereof
“US\$30M Convertible Bonds”	the convertible bonds issued by the Company to Business Ally with aggregate outstanding principal amount of US\$30,000,000 pursuant to the Convertible Bonds Subscription Agreement

“Xinfeng”	山西煤炭運銷集團古交鑫峰煤業有限公司 (Shanxi Coal Transportation and Sales Group Gujiao Xinfeng Coal Mine Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Shanxi Coal
“Xinfeng Mine”	the mining area located at Jijiazhuangxiang, Wujiabo Village at the south-west of Gujiao City covering an area of approximately 2.1966 km <sup>2</sup>
“HK\$”	Hong Kong dollars, the lawfully currency of Hong Kong
“RMB”	Renminbi, the lawfully currency of the PRC
“US\$”	United States dollars, the lawfully currency of the United States of America
“km”	kilometers
“km <sup>2</sup> ”	square kilometers

*In this announcement, save as otherwise provided, amounts in RMB are converted into HK\$ on the basis of HK\$1 = RMB0.81. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.*

By the order of the Board of  
**North Asia Resources Holdings Limited**  
**Mr. Tse Michael Nam**  
*Chairman*

Hong Kong, 8 October 2012

*As at the date of this announcement, Mr. Tse Michael Nam and Mr. Yang Xiaoqi are the executive Directors, Mr. Wu Chi Chiu is the non-executive Director, 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.*

\* For identification purpose only