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## **Asia Resources Holdings Limited**

**亞洲資源控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(stock code: 899)**

### **VERY SUBSTANTIAL ACQUISITION RELATING TO THE ACQUISITION OF THE SALE SHARES AND SALE DEBTS AND RESUMPTION OF TRADING**

#### **VERY SUBSTANTIAL ACQUISITION**

The Board would announce that on 3 December 2008 (after trading hours of the Stock Exchange), the Purchaser, which is a wholly-owned subsidiary of the Company, and the Company (as the warrantor of the Purchaser) entered into the Acquisition Agreement with the Vendor and the Warrantors. Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Shares and the Sale Debts from the Vendor at the consideration of initially HK\$560 million (or initially HK\$300 million in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion), subject to adjustments.

Following the implementation of the Reorganisation, the Target Group will obtain (through the Purchaser's acquisition of the entire issued share capital of the Target Company) the Tungsten Mining Licence in respect of the Tungsten Resources at the Target Tungsten Mine and the Iron Mining Licence in respect of the Iron Resources at the Target Iron Mine, and will carry on the Target Mine Businesses. The Target Tungsten Mine is located in Tsunheg, in the area of North West side of Mongolia in Bayan-Ulgii aimag Nagoon nuur soum and the Target Iron Mine is located in Tumurtei, Khuder Soum Selenge Aimag, Mongolia.

\* For identification only

The Acquisition Price is initially HK\$560 million, which will be satisfied (i) as to not less than HK\$70 million and not more than HK\$140 million in cash; (ii) as to HK\$170 million by the Company's issue to the Vendor (or such person(s) as nominated by the Vendor) of the Bonds; and (iii) as to not less than HK\$250 million and not more than HK\$320 million by the Purchaser's issue to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor).

In the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion, the Acquisition Price will be reduced to HK\$300 million, which will be satisfied in the manner as set out below in the main body of this announcement.

Particulars of the Acquisition, payment schedule of the Acquisition Price, the Promissory Note and the Bonds are set out in the sections headed "The Acquisition Agreement", "Promissory Note" and "The Bonds" below.

## **GENERAL**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholders have any material interest in the Acquisition, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other information, (i) further details of the Acquisition, the Promissory Note and the Bonds; (ii) information required under Chapter 14 of the Listing Rules and (iii) a notice of the SGM, will be despatched to the Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY**

Trading in the Shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 December 2008 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 3 February 2009.

### **INTRODUCTION**

The Board would announce that on 3 December 2008 (after trading hours of the Stock Exchange), the Purchaser, which is a wholly-owned subsidiary of the Company, and the Company (as the warrantor of the Purchaser) entered into the Acquisition Agreement with the Vendor and the Warrantors. Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Shares and the Sale Debts from the Vendor at the consideration of initially HK\$560 million (or initially HK\$300 million in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion) (subject to adjustments).

Following the implementation of the Reorganisation, the Target Group will conduct mining business by obtaining (through the Purchaser's acquisition of the entire issued share capital of the Target Company) the Tungsten Mining Licence in respect of the Tungsten Resources at the Target Tungsten Mine and the Iron Mining Licence in respect of the Iron Resources at the Target Iron Mine, and will carry on the Target Mine Businesses. For the avoidance to doubt, upon Completion, the Target Group will carry on the relevant mining and exploitation businesses of the Natural Resources, which do not include the right of exploration for such Natural Resources. The Target Tungsten Mine is located in Tsunheg, in the area of North West side of Mongolia in Bayan-Ulgii aimag Nogoon nuur soum and the Target Iron Mine is located in Tumurtei, Khuder Soum Selenge Aimag, Mongolia.

## THE ACQUISITION AGREEMENT

- Date:** The Acquisition Agreement dated 3 December 2008 (as supplemented by Supplemental Agreement No. 1 and Supplemental Agreement No. 2 dated 5 January 2009 and 2 February 2009 respectively)
- Vendor:** Bao Fung Investments Limited, an investment holding company incorporated in BVI with limited liability. The Vendor is owned by Mr. Sun and Mr. Chan in equal share as at the date of this announcement.
- Purchaser:** Infinite Nature Limited, a wholly-owned subsidiary of the Company and an investment holding company incorporated in BVI with limited liability
- Warrantors:** Mr. Sun and Mr. Chan, as warrantors of the Vendor, and
- Company:** Asia Resources Holdings Limited, as the warrantor of the Purchaser

Mr. Sun is an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited (“**Xian Yuen**”, stock code: 353) and Huscoke Resources Holdings Limited (“**Huscoke**”, stock code: 704), which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Yueshou Environmental Holdings Limited (“**Yueshou**”, stock code: 1191) for the period from July 2007 to October 2008 which is listed on the Main Board of the Stock Exchange and was an executive director of Polyard Petroleum International Group Limited (“**Polyard**”, stock code: 8011) for the period from July 2002 to November 2007 which is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Sun is acquainted with Mr. Chan Sung Wai, an executive Director, as Mr. Chan Sung Wai is also an executive director of Xian Yuen. Mr. Sun is acquainted with Mr. Ricky Chim, an executive Director, as Mr. Ricky Chim is also an executive director of Huscoke and Yueshou. Further, Mr. Ricky Chim’s brother, Mr. Chim Kim Kiu, Jacky was an executive director of Polyard during the period when Mr. Sun was a director of Polyard. Under the Listing Rules, Mr. Sun is not a connected person of the Company nor a party acting in concert (as defined in the Takeovers Code) with Mr. Ricky Chim or Mr. Chan Sung Wai or other connected persons of the Company.

Mr. Chan has become acquainted with Mr. Ricky Chim during the course of a very substantial acquisition (the “**Karce Transaction**”) by Karce International Holdings Company Limited (“**Karce International**”, stock code: 1159) which is listed on the Main Board of the Stock Exchange, in relation to Karce International’s acquisition of a group which is principally engaged in the design and manufacturing of high definition projection televisions and related accessories pursuant to an acquisition agreement entered into, among other parties, by a subsidiary of Karce International as purchaser dated 30 April 2008. Mr. Chan was one of the ultimate beneficial owners of one of the vendors under the Karce Transaction and Mr. Ricky Chim is an executive director of Karce International. Under the Listing Rules, Mr. Chan is not a connected person of the Company nor a party acting in concert (as defined in the Takeovers Code) with Mr. Ricky Chim or other connected persons of the Company.

Save as disclosed above, the Directors confirm that, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Debts, subject to the terms and conditions as set out in the Acquisition Agreement.

As at the date of this announcement, the Sale Debts represent all the Shareholder Loans owing by the Target Group. To the best of the Directors’ knowledge and information having made all reasonable enquiry, as at the date of this announcement, the amount of the Sale Debts owing to the Vendor by the Target Group is approximately US\$6.02 million, equivalent to approximately HK\$46.96 million. Such amount, which was accounted as the Shareholder Loans to the Existing Iron Company, was mainly used for obtaining the relevant mining rights for the Existing Iron Company. As at the date of this announcement, save for the Shareholder Loans of the Existing Iron Company, there are no other Shareholder Loans owing by the Target Group.

The information regarding the Target Group is set out in the paragraph headed “Information on the Target Group” below.

## **Reorganisation before the Completion**

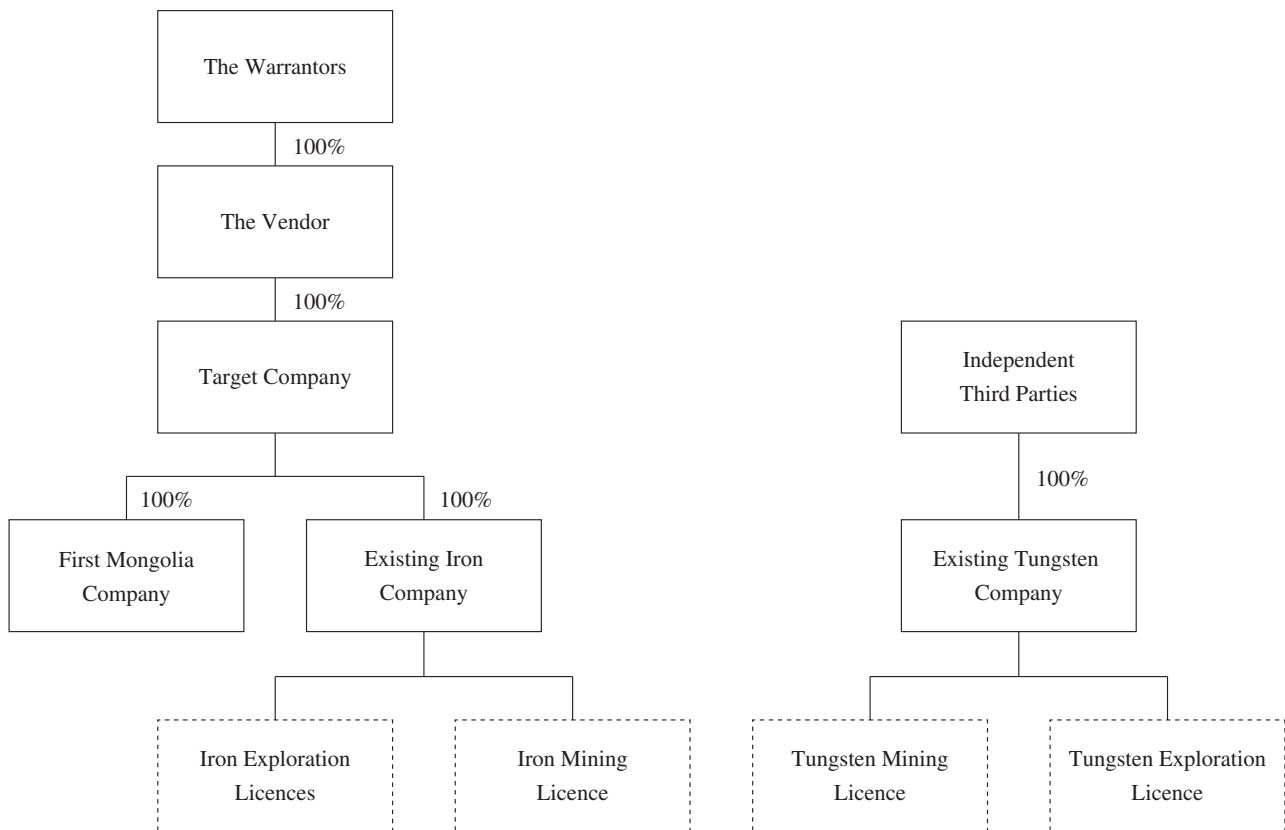
Pursuant to the Acquisition Agreement, the Vendor and the Warrantors will procure implementation of:

- (1) the following reorganisation of, among others, the Existing Tungsten Company (“**First Reorganisation**”):
  - (a) before Completion, the Tungsten Exploration Licence and the Tungsten Mining Licence in respect of the Tungsten Resources at the Target Tungsten Mine will become vested in the First Mongolia Company, free from all encumbrances; and
  - (b) before Completion, the Tungsten Exploration Licence will be transferred to and become vested in the New Excluded Tungsten Company, while the Tungsten Mining Licence will continue to be held by the First Mongolia Company;
- (2) the following reorganisation of, among others, the Existing Iron Company (“**Second Reorganisation**”) before Completion, the Iron Exploration Licences will be transferred to and become vested in the New Excluded Iron Company, while the Iron Mining Licence will continue to be held by the Existing Iron Company;
- (3) immediately before Completion, the loans owing by each of the companies of the Target Group to the Vendor’s Associates will be assigned to become loans owing by the Target Company to the Vendor,

and all the above steps under the Reorganisation shall be consummated on or before Completion.

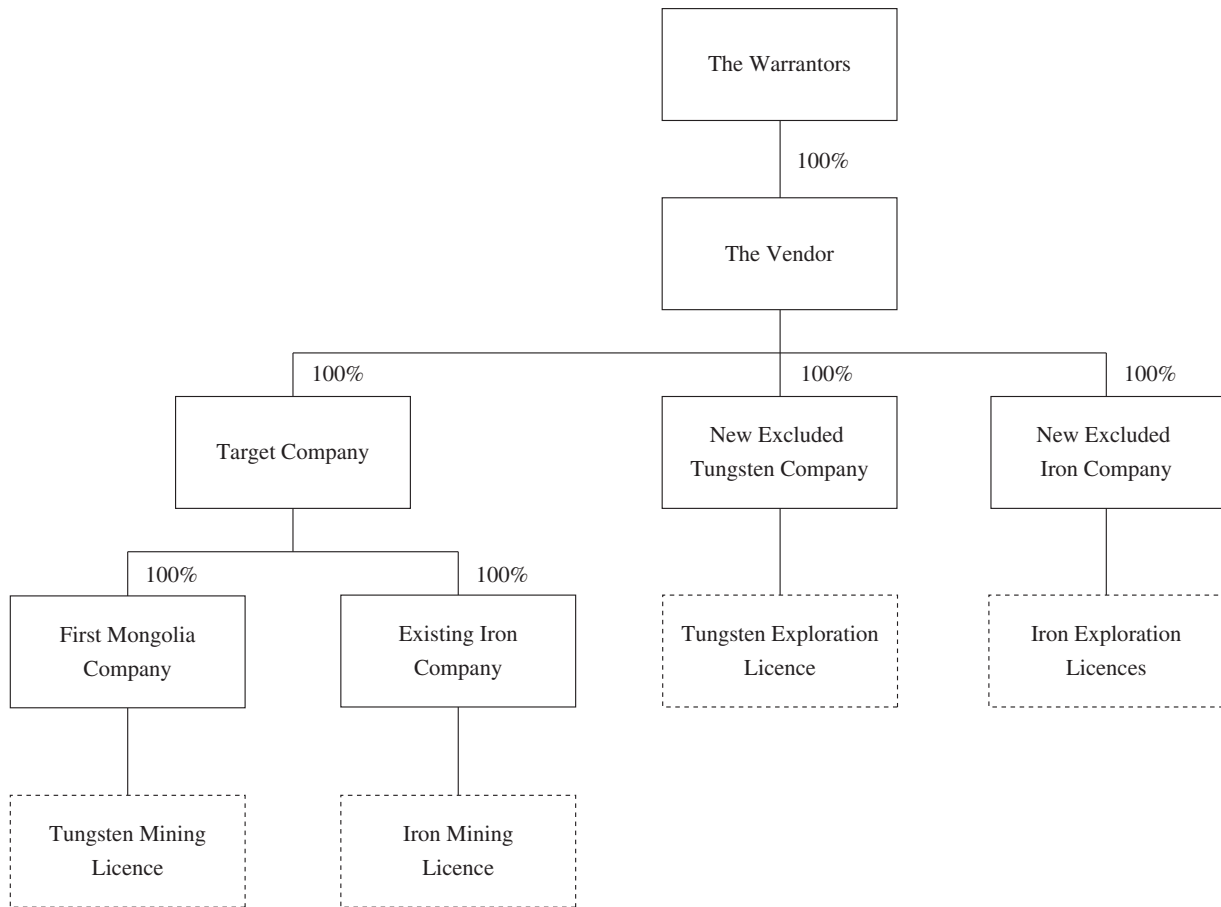
## The shareholding structure of the Target Group

*Immediately before the Reorganisation:*



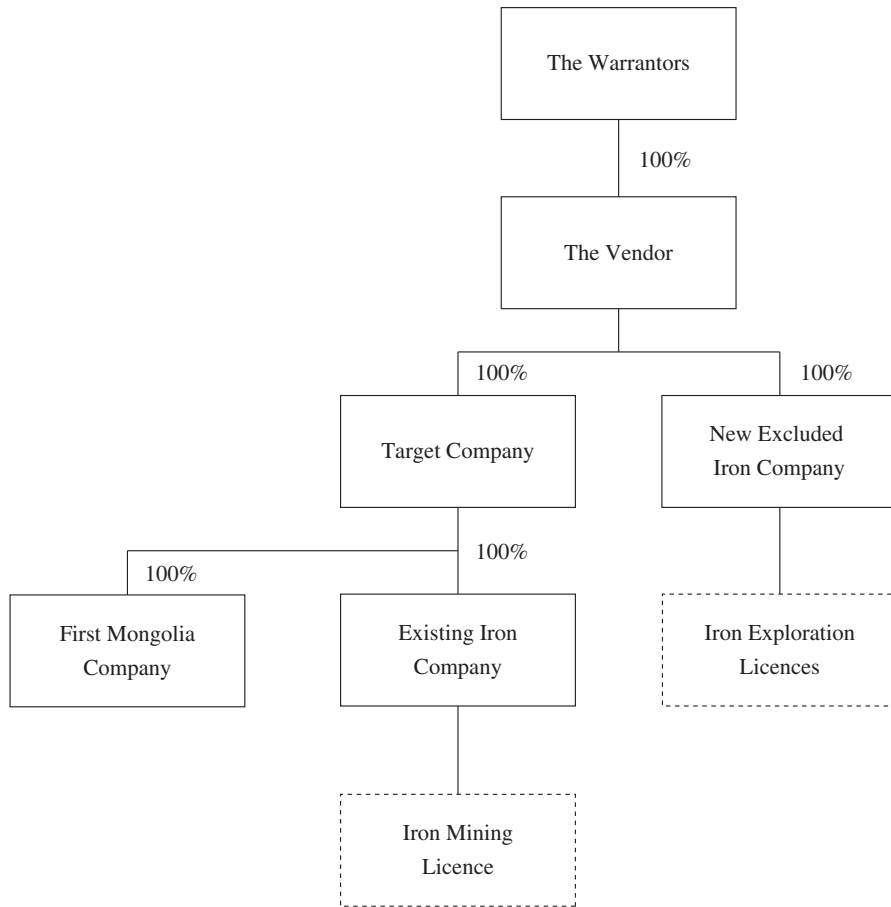
*Note:* The existing shareholders of the Existing Tungsten Company are namely Mr. Jamsran Jasrai, Mr. Amitan Namilan and Ms. Lucy Gao, and each of them owns one-third of the shareholding interest of the Existing Tungsten Company. The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the existing shareholders and the ultimate beneficial owners of Existing Tungsten Company are Independent Third Parties.

*Immediately after the Reorganisation:*





*Immediately after the Second Reorganisation (in the event that the First Reorganisation not being consummated before Completion):*



## **The Acquisition Price**

The Acquisition Price is initially HK\$560 million, subject to adjustment as set out in the paragraph headed “Adjustments to the Acquisition Price” below, and will be satisfied:

- (i) as to not less than HK\$70 million and not more than HK\$140 million in cash;
- (ii) as to HK\$170 million by the Company’s issue to the Vendor (or such person(s) as nominated by the Vendor) of the Bonds; and
- (iii) as to not less than HK\$250 million and not more than HK\$320 million by the Purchaser’s issue to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor).

Particulars of the payment of the Acquisition Price are set out in the paragraph headed “Payment of the Acquisition Price” below.

In the event of the First Reorganisation not being consummated before Completion but the Purchaser at its sole discretion elects to proceed to Completion, the Acquisition Price is initially HK\$300 million, subject to adjustment as set out in the paragraph headed “Adjustments to the Acquisition Price” below, and will be satisfied:

- (i) as to not less than HK\$70 million and not more than HK\$140 million in cash; and
- (ii) as to not less than HK\$160 million and not more than HK\$230 million by the Purchaser’s issue to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor).

The consideration of the Sale Shares shall be an amount equal to the difference between the Acquisition Price and the face value of the Sale Debts as at the Completion Date. The consideration of the Sale Debs shall be an amount equal to the face value of the Sale Debts as at the Completion Date.

The Acquisition Price was determined after arm's length negotiation between the Vendor and the Group with reference to (i) the estimated amount of raw tungsten deposits of approximately 19.9 million tons in the Target Tungsten Mine and the estimated amount of the raw iron deposits of approximately 32 million tons in the Target Iron Mine; and (ii) the market price of Tungsten and Iron of approximately US\$14,700 per ton and US\$176 per ton, respectively, according to the preliminary feasibility report supplied to the Company. The Company has engaged B.I. Appraisals Limited, an independent professional firm of valuers ("Valuers"), being an Independent Third Party, to conduct an independent valuation on the fair value of the entire equity interest in the mining business of the Target Mines. As at the date of this announcement, the approach and method of the valuation are not yet finalized. Given that the Acquisition Price will be adjusted in accordance with the independent valuation of the entire equity interest in the mining business of Target Mines (particulars of which are set out in the paragraph headed "Adjustments to the Acquisition Price"), the Directors (including the independent non-executive Directors) consider that the Acquisition Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Payment of the Acquisition Price**

The Acquisition Price shall be satisfied:

- (1) on or before 9 January 2009 (or such other date as may be agreed between the Vendor and the Purchaser in writing) and conditional upon the Share Charge being executed by the Vendor (which Share Charge was executed on the date of the Acquisition Agreement), by the payment of a deposit in the aggregate sum of HK\$70 million ("**First Deposit**") by the Purchaser to the Vendor (or its nominee) by way of cheque or in such other manner as may be agreed between the Vendor and the Purchaser;

(2) on or before 5 March 2009 (or such other date as agreed to between the Vendor and the Purchaser in writing) but in any event conditional upon all the following condition (“**Further Deposit Release Conditions**”) being fulfilled (none of which conditions may be waived by any of the parties to the Acquisition Agreement):

- (a) fund-raising exercise being effected by the Company, as a result of which the Company will have raised net proceeds of no less than HK\$70 million (*Note 1*); and
- (b) the Share Charge having been duly executed and registered with the Registrar of Corporate Affairs in BVI;

by the payment of a further deposit of HK\$70 million (the “**Further Deposit**”) by the Purchaser to the Vendor (or its nominee) by way of a cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser (*Note 2*);

(3) subject to (4) below, at Completion (where both the First Reorganisation and the Second Reorganisation having been consummated prior thereto):

- (a) as to HK\$170 million, by the Company’s issue to the Vendor (or such person(s) as nominated by the Vendor) of the Bonds;
- (b) as to HK\$250 million, by the Purchaser’s issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor) by way of a bank cashier’s order or cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser; and
- (c) in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) in accordance with (2) above before Completion, as to HK\$70 million, by the Purchaser’s issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount.

- (4) (in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion) at Completion:
- (a) as to HK\$160 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor) by way of a bank cashier's order or cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser; and
  - (b) in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) in accordance with (2) above before Completion, as to HK\$70 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount.

The First Deposit (and, where applicable, the Further Deposit) shall be paid to the Vendor by way of deposit under the Acquisition Agreement. The Deposits shall on the Completion be applied to satisfy payment of a pro tanto amount of the Acquisition Price. If the Acquisition Agreement is terminated pursuant to the terms of the Acquisition Agreement, the Vendor shall within one (1) month after the Long Stop Date repay to the Purchaser an amount equivalent to the Deposits without interest. If the Vendor fails to repay the entirety of the Deposits to the Purchaser before the prescribed date, interest shall accrue from the due date of payment until the date of full repayment at the rate equivalent to the current Hong Kong dollar best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for the same Hong Kong dollar amount.

Further, to secure the Vendor's obligation to repay the Deposits to the Group if the Acquisition Agreement is terminated, the Vendor executed the Share Charge for charging and assigning the entire issued shares of the Target Company in favor of the Purchaser on 3 December 2008. The Share Charge was registered with the Registrar of Corporate Affairs in BVI on 10 December 2008.

*Note:*

1. As at the date of this announcement, the Company has not entered into any agreement in respect of the proposed fund raising exercise. In the event that the Company shall proceed to raise fund and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

2. In considering the amount of Deposits payable under the Acquisition Agreement, acquisitions of both the Target Tungsten Mine and the Target Iron Mine were taken into account, therefore the total Acquisition Price in the sum of HK\$560 million as a whole (instead of HK\$300 million) has been used as the basis of consideration for determining the amount of deposit payable. As at the date of this announcement, HK\$70 million was paid by the Group as the First Deposit to the Vendor, representing approximately 12.5% of the Acquisition Price of HK\$560 million. The Directors consider such percentage of deposit is on normal commercial term. The Further Deposit in the sum of HK\$70 million may or may not be paid, as its payment in the form of cash will depend on whether the Company would be able to raise sufficient fund (or at all) for payment of the Further Deposit. Further, the repayment of the Deposit (in case of termination of the Acquisition Agreement) is secured by the Share Charge which was executed on the date of the Acquisition Agreement and registered with the Registrar of Corporate Affairs in BVI in December 2008. Given the Share Charge was executed by the Vendor on the date the Acquisition Agreement and registered in December 2008, the Directors consider that the payment of the First Deposits and (if so paid) the Further Deposit (i.e. HK\$140 million in aggregate), which represent approximately 25% of the Acquisition Price of HK\$560 million and approximately 46% of the Acquisition Price of HK\$300 million (in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion), is fair and reasonable.

### **Adjustment to the Acquisition Price**

In the event that the value of the entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the final valuation report to be issued by the Valuers and to be included in a circular to be issued by the Company to the Shareholders in connection with the Acquisition Agreement is less than HK\$560 million, and where the Vendor and the Purchaser agree to Completion taking place, the Acquisition Price shall be adjusted in accordance with the following formula:

Adjusted Acquisition Price = the value of entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the said final valuation report

Provided that where the value of the entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the said final valuation report is more than HK\$560 million, the Acquisition Price shall remain to be HK\$560 million.

Where in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion, and the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the final valuation report to be issued by the Valuers and to be included in a circular to be issued by the Company to the Shareholders in connection with the Acquisition Agreement is less than HK\$300 million, and where the Vendor and the Purchaser agree to Completion taking place, the Acquisition Price shall be adjusted in accordance with the following formula:

Adjusted Acquisition Price = the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the said final valuation report

Provided that where the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the said final valuation report is more than HK\$300 million, the Acquisition Price shall remain to be HK\$300 million.

Where the Acquisition Price is subject to any adjustment provided above, the Acquisition Price shall be reduced by a pro tanto amount of the shortfall from the principal amount of the Bonds or the principal amount of the Promissory Note payable under the terms of the Acquisition Agreement.

Pursuant to the terms of the Acquisition Agreement, the Vendor expressly represents and warrants to the Purchaser that as at the Completion Date:

- (1) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its Associates or otherwise), otherwise than those as shown in the Management Accounts in respect of the Target Group; and
- (2) (otherwise than those as shown in the Management Accounts or disclosed to and agreed by the Purchaser in advance) there are no guarantees given by any companies in the Target Group whatsoever and howsoever.

If there occurs any breach of the Warranties set out in (1) or (2) above and reflected in the Completion Accounts, the Acquisition Price shall be reduced by an amount equal to the aggregate amount of such additional liabilities. In the event of a reduction of the Acquisition Price pursuant to the foregoing provisions, (a) the principal amount of the Promissory Note shall be reduced by a pro tanto amount of the reduction of the Acquisition Price; or (b)(i) the Purchaser shall, as soon as reasonable after having been aware of such breach, inform the Vendor of such breach, (ii) the Vendor shall within five Business Days after the date of notice in writing given by the Purchaser deliver up to the Purchaser for cancellation of the then Bonds held by it, and (iii) the Purchaser shall procure the Company, against and within five Business Days after the date of the Vendor's delivery up for cancellation of the said Bonds, issue and deliver to the Vendor new Bonds for the balance of the Acquisition Price payable on the basis of the Acquisition Price as so adjusted.

### **Closing Conditions**

Completion of the Acquisition in accordance with the Acquisition Agreement is subject to the following conditions being fulfilled and remaining satisfied as at the Completion (or waived by the Purchaser as appropriate):

- (a) receipt by the Purchaser from the Vendor of a legal opinion on Mongolia laws (in such form and substance to the Purchaser's satisfaction) covering, among others, the following major issues:
  - (i) each of the First Mongolia Company, the Existing Iron Company, the New Excluded Tungsten Company and the New Excluded Iron Company having been duly established and validly subsisting;
  - (ii) each of the First Mongolia Company and the Existing Iron Company having obtained all relevant operating Permits required at the time of its establishment and such Permits remaining valid;
  - (iii) the legality of the operation and business of each of the First Mongolia Company and the Existing Iron Company;



- (iv) completion of the Reorganisation, the First Mongolia Company and the Existing Iron Company having obtained the Mining Licences in respect of the Target Tungsten Mine and the Target Iron Mine, respectively, and all such licences being in full force and effect (and, in connection with the Reorganisation, the New Excluded Tungsten Company and the New Excluded Iron Company having obtained the Exploration Licences in respect of the Target Tungsten Mine and the Target Iron Mine, respectively, and all such licences being in full force and effect);
- (v) the First Mongolia Company and the Existing Iron Company having obtained the rights to use and occupy the relevant Properties;
- (vi) (if required) all necessary approval, authorisation, consent, registration and filings required having been obtained and effected by the Target Company and/or the First Mongolia Company and/or the Existing Iron Company (where applicable) in relation to the Acquisition Agreement and the transactions contemplated thereunder;

and such other aspects of Mongolian law as the Purchaser may consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement;

- (b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and issue of the Conversion Shares;
- (c) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Bonds (if issued);
- (d) the approval by the Shareholders (or, as the case may be, the independent Shareholders) at the SGM of the Acquisition Agreement and the transactions contemplated thereby (including but not limited to the allotment and issue of the Conversion Shares) and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (e) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the Acquisition contemplated by the Acquisition Agreement having been obtained;

- (f) all relevant approvals, consents, registration and filing procedures (including without limitation the registration of the Target Company as the registered holder of the entire issued shares in the First Mongolia Company and the Existing Iron Company) relating to the Target Company, the First Mongolia Company and the Existing Iron Company in connection with the Acquisition contemplated by the Acquisition Agreement having been obtained and, as the case may be, completed;
- (g) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, quantity of Natural Resources, valuation, operational or other aspects that the Purchaser considers relevant) on the Target Group and their related businesses, assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;
- (h) the Purchaser being satisfied, from the date of the Acquisition Agreement and at any time before the Completion, that the Vendor Warranties given under the Acquisition Agreement remain true and accurate in all material respects, and not misleading or in breach in any material respect and that no events have suggested that there were any breach of any Vendor Warranties or other provisions of the Acquisition Agreement (including without limitation those concerning the Target Group) by the Vendor and/or the Warrantors;
- (i) the Purchaser being satisfied that, from the date of the Acquisition Agreement to Completion, there has not been any Material Adverse Change in respect of any member of the Target Group;
- (j) all outstanding Shareholder Loans owing from the Target Group to the Vendor's Associates having been assigned to the Vendor immediately before the Completion and all necessary approvals, consents, authorisations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned; (*Note*)

- (k) the Vendor providing the Purchaser with a confirmation and/or other supporting documents as reasonably required by the Purchaser, showing that all licence fees and other fees required to be paid by the First Mongolia Company and the Existing Iron Company to the Mineral Resources and Petroleum Authority of Mongolia and/or other governmental authorities in respect of exploitation, mining, owning and operating the Target Tungsten Mine and the Target Iron Mine, all the fees required to be paid by the First Mongolia Company (or, as the case may be, the Existing Iron Company) in obtaining the Mining Licences (with a term of not less than 30 years commencing from the first issuing date of the respective Mining Licences (i.e. from 2001 for the Target Tungsten Mine and from 2005 for the Target Iron Mine)) and all other operating Permits in respect of the Target Tungsten Mine and the Target Iron Mine having been fully paid and there are no outstanding fees;
- (l) the Purchaser having obtained a final valuation report issued by such professional valuers retained or to be retained by the Company, that indicates that the value of the entire equity interest in the mining business of Target Mines is not less than HK\$560 million (or HK\$300 million (excluding the Target Tungsten Mine in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion)); and
- (m) no indication being received from the Stock Exchange that the transactions contemplated under the Acquisition Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a “reverse takeover” under the Listing Rules.

*Note:* The Sale Debts represent all the Shareholder Loans owing by the Target Group. To the best of the Directors’ knowledge and information having made all reasonable enquiry, as at the date of this announcement, the amount of the Sale Debts owed to the Vendor by the Target Group is approximately US\$6.02 million, equivalent to approximately HK\$46.96 million. Such amount, which was accounted as the Shareholder Loans to the Existing Iron Company, was mainly used for obtaining the relevant mining rights for the Existing Iron Company. As at the date of this announcement, save for the Shareholder Loans to the Existing Iron Company, there are no other Shareholder Loans owing by the Target Group.

The Vendor and the Warrantors shall use all reasonable endeavours to satisfy the Closing Conditions (other than the Closing Conditions as referred to in paragraphs (b), (c), (d) and (m) above) on or before the Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the Acquisition Agreement and the timely supply of information to the Stock Exchange). Each of the Vendor and the Warrantors shall and undertakes to procure the companies of the Target Group to provide all such information and documents and execute all such applications, documents and other things as may be reasonably required by the Stock Exchange or any other regulatory authority.

The Purchaser may at its absolute discretion at any time waive in writing any of the Closing Conditions referred to in (a), (e), (f), (g), (h), (i), (j), (k) and (l) above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

Where the Purchaser is of the reasonable view that the First Reorganisation cannot be consummated before Completion, the Purchaser at its sole absolute discretion may (and, for the avoidance of doubt, is not obliged to) elect to proceed to Completion without the First Reorganisation being consummated, as a result of (and immediately after) the Completion the Target Group shall comprise only the Target Company and Existing Iron Company (after completion of the Second Reorganisation), provided that the Vendor shall procure that before Completion, all obligations and liabilities (if any) in respect of the Target Company, the Company and the Company's subsidiaries in connection with the steps taken arising from or in connection with the First Reorganisation shall be extinguished and cancelled and shall have no further effect.

If the Closing Conditions are not fulfilled or waived on or before the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect except certain provisions as specified in the Acquisition Agreement, and no party to the Acquisition Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Acquisition Agreement, including any breaches of the Closing Conditions.

## **Completion**

Subject to satisfaction of all the Closing Conditions in respect of the Acquisition in full (save for any Closing Condition in respect of the Acquisition, the full compliance with or satisfaction of which has been waived by the Purchaser) and the Purchaser's right under the terms of the Acquisition Agreement, Completion shall take place at 11:00 a.m. (Hong Kong time) on the Completion Date. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

## **First Right of refusal**

Pursuant to the Acquisition Agreement, in consideration of HK\$1 paid by the Purchaser to each of the Vendors and the Warrantors (for the purpose of this paragraph, collectively referred to as the "**Covenantors**"), each of the Covenantors has agreed to grant to the Company the first right of refusal in relation to the Covenantors or their respective Associates' investments in Mongolia (including without limitation the New Excluded Tungsten Company and the New Excluded Iron Company, collectively referred to the "**Excluded Mongolia Company(ies)**") which have been disclosed to the Purchaser on or before the Completion. During the period of five (5) years following the date of the Acquisition Agreement, each of the Covenantors shall not (and it shall procure its Associates who are owners of equity interest in the Excluded Mongolia Companies not to) enter into any arrangement or agreement for the disposal of any of the equity interest in the Excluded Mongolia Company, unless for each time when any of the Covenantors intends to dispose of any interest in any of the Excluded Mongolia Companies, such Covenantor shall first inform the Purchaser of such intended transaction and the Purchaser has not within the prescribed period of time thereafter confirmed its acceptance of such transaction and provided that the terms offered by the relevant Covenantor to other purchaser for the acquisition of the relevant interests shall not be on terms that are more favourable than those offered to the Purchaser.

## PROMISSORY NOTE

Where both the First Reorganisation and the Second Reorganisation have been consummated prior to Completion, not less than HK\$250 million and not more than HK\$320 million of the Acquisition Price shall be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor (or its nominee(s)). In the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion, not less than HK\$160 million and not more than HK\$230 million of the Acquisition Price shall be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor (or its nominee(s)).

The principal terms of the Promissory Note are as follows:

Issuer:	The Purchaser
Maturity:	15 months from the date of issue of the Promissory Note
Transferability:	The Promissory Note is transferable
Coupon rate:	Zero
Security:	No security will be provided by the Purchaser (as issuer of the Promissory Note) in respect of its obligations under the Promissory Note
Repayment:	At the sole discretion of the Purchaser, the Promissory Note or such part thereof may be repaid earlier if the Purchaser has given to the holder of the Promissory Note not less than seven days' prior written notice. Otherwise, payment of principal amount of Promissory Note shall be made upon its maturity.

## THE BONDS

HK\$170 million of the Acquisition Price (assuming Completion) is to be satisfied by the issue of the Bonds by the Company to the Vendor (or its nominee(s)).

Issuer:	The Company
Principal amount:	HK\$170 million
Form and denomination:	The Bonds will be issued in registered form and in the denomination of HK\$150,000 each.
Maturity date:	The first Business Day falling on the 5th anniversary from the issue date of the Bonds.
Interest:	The Bonds shall accrue no interest.
Transferability:	The Bonds will be freely transferable but may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. Where the Bonds are intended to be transferred to a connected person of the Company (other than the associates of the holder of the Bonds), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange (if any). The Company will notify the Stock Exchange immediately upon becoming aware of any dealings in the Bonds by connected persons of the Company.

Conversion:

A holder of Bonds (“Bondholder(s)”) shall have the right at any time and from time to time during the period commencing from the Completion Date up to 4:00 p.m. on the Maturity Date to convert the whole or part of the principal amount of the Bond(s) in amounts of not less than a whole multiple of HK\$150,000 of the principal amount outstanding under the Bonds into Conversion Shares on each conversion, save that if at any time, the outstanding principal amount of the Bonds is less than HK\$150,000, the whole (but not part only) of the outstanding principal amount of the Bonds may be converted. However, the Company shall not issue any new Conversion Shares and the Bondholder shall not exercise its conversion right attaching to the Bonds if, immediately after such conversion:

- (i) such holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in Shares which give rise to any mandatory general offer obligations as defined in the Takeovers Code; and/or
- (ii) the public float of the Shares falls below the minimum public float requirement stipulated under the Listing Rules and as required by the Stock Exchange.

Compulsory  
conversion on the  
Maturity Date

Save for the redemption as set out in the paragraph headed “Adjustments to the Acquisition Price” above, any Bonds which remain outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be converted automatically into the Conversion Shares and the date of the conversion shall for such purpose be deemed to be the Maturity Date, provided that there will not be any automatic conversion of the Bonds on the Maturity Date under the restrictions set out in the paragraph headed “Conversion” above.



Initial Conversion  
Price:

The Bonds shall be converted at the Initial Conversion Price of HK\$0.30 per Conversion Share (subject to adjustment).

The Initial Conversion Price of HK\$0.30 represents:

- (i) a discount of approximately 21.1% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on 3 December 2008, being the date of the Acquisition Agreement;
- (ii) a discount of approximately 20% to the average of the closing prices of approximately HK\$0.375 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the date of the Acquisition Agreement;
- (iii) a discount of approximately 23.3% to the average of the closing prices of approximately HK\$0.391 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the date of the Acquisition Agreement; and
- (iv) a premium to approximately 13.2% to the net assets value per Share of approximately HK\$0.265 based on the net asset value of the Group as at 31 March 2008 and 1,411,440,590 Shares as at the date of this announcement.

The Initial Conversion Price is subject to adjustments upon the occurrence of subdivision or consolidation or reclassification of Shares, capitalization issues, capital distribution, rights issues and grant of options and warrants.

- Cancellation:** Immediately upon redemption, conversion or purchase by the Company (or, where applicable, the Company's subsidiaries), the Bonds so redeemed, converted or purchased shall forthwith be cancelled. Any Bonds so cancelled shall not be re-issued or re-sold.
- Voting rights:** The holder of the Bonds will not be entitled to attend or vote at any general meeting of the Company by reason only of it being a holder of the Bonds.
- Ranking:** The Bonds will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Bonds will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.
- Purchase:** The Company or any of its subsidiaries may at any time and from time to time purchase the Bonds at any price as agreed between the Company (or its subsidiaries) and the relevant holder of the Bonds, provided that such price shall not exceed 118% of the principal amount of the Bonds.
- Listing:** The Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **Conversion Shares**

Upon full conversion of the Bonds at the Initial Conversion Price (subject to adjustments), a total of 566,666,666 Conversion Shares will be issued, representing (i) approximately 40.15% of the issued share capital of the Company as at the date of this announcement; and (ii) (assuming no other changes) approximately 28.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Bonds at the Initial Conversion Price (subject to adjustments).

The Conversion Shares will be issued pursuant to specific mandate to be sought and granted (if so granted) at the SGM.

## EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of this announcement, and for illustrative purpose, the effect on the shareholding structure of the Company assuming full conversion of the Bonds:

	As at the date of this announcement		Assuming full conversion of the Bonds	
	Shares	(%)	Share	(%) (Note 2)
Golden Mount (Note 1)	400,000,000	(28.34)	400,000,000	(20.22)
Vendor or its nominees	–	–	566,666,666	(28.65)
Public shareholders	<u>1,011,440,590</u>	<u>(71.66)</u>	<u>1,011,440,590</u>	<u>(51.13)</u>
Total	<u><u>1,411,440,590</u></u>	<u><u>(100.00)</u></u>	<u><u>1,978,107,256</u></u>	<u><u>(100.00)</u></u>

### Notes:

- Golden Mount is owned by Mr. Chim Pui Chung who is the father of Mr. Ricky Chim, a Director. Immediately upon the Completion, the Vendor does not hold any Shares and, therefore, it would not be deemed and presumed as parties acting in concert with Golden Mount as defined under the Takeovers Code. However, if the Vendor converts the Bonds and holds 20% or more of the Shares and if Golden Mount still holds 20% or more of the Shares, the Vendor will (unless rebutted) be presumed as a party acting in concert with Golden Mount.

As detailed in the above paragraph headed “The Bonds”, the Company shall not issue new Conversion Shares and the Bondholder shall not exercise the conversion right attaching to the Bonds if, immediately after such conversion:

- such holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in Shares which give rise to any mandatory general offer obligations as defined in the Takeovers Code; and/or
  - the public float of the Shares falls below the minimum public float requirement stipulated under the Listing Rules and as required by the Stock Exchange.
- This column is for illustration purpose only. Please refer to note 1 above for details.

## **DILUTION EFFECT ON SHAREHOLDERS**

Due to the significant dilutive nature of the Conversion Shares, the Company will make disclosure relating to changes in its issued share capital (including any conversion of the Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is an investment holding company incorporated in BVI with limited liability on 24 August 2007 and whose entire issued share capital is owned by the Vendor as at the date of this announcement.

The First Mongolia Company was incorporated in Mongolia on 5 May 2008 and whose entire issued share capital is owned by the Target Company as at the date of this announcement.

The Existing Iron Company was incorporated in Mongolia on 24 April 2008 and whose entire issued share capital is owned by the Target Company as at the date of this announcement.

The Target Company has not conducted any businesses since its incorporation and has no major assets or operating businesses.

Upon the Completion, the Target Group will become the holder of (i) Tungsten Mining Licence covering 29 hectares of Target Tungsten Mine; and (ii) Iron Mining Licence covering 550 hectares of Target Iron Mine.

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

## Financial Information of the Existing Iron Company

	As at 30 September 2008	
	US\$	HK\$
	(unaudited)	(unaudited)
		(Note)
Current assets	3,690	28,782
Intangible assets (Mining Rights) (Note 1)	<u>6,100,000</u>	<u>47,580,000</u>
Total assets	<u><u>6,103,690</u></u>	<u><u>47,608,782</u></u>
Current liability (Note 2)	(6,023,000)	(46,979,400)
Non-current liability	<u>—</u>	<u>—</u>
Total liability	<u><u>(6,023,000)</u></u>	<u><u>(46,979,400)</u></u>
Total equity	<u><u>(80,690)</u></u>	<u><u>(629,382)</u></u>

**For the period  
24 April 2008  
to 30 September 2008**

	<i>US\$</i> (unaudited)	<i>HK\$</i> (unaudited)
Revenue	–	–
Net loss before tax	<u>(19,310)</u>	<u>(150,618)</u>
Net loss after tax	<u><u>(19,310)</u></u>	<u><u>(150,618)</u></u>

*Notes:*

1. The mining rights (excluding Iron Exploration Licences) represent the right granted under the Iron Mining Licence, by which the Existing Iron Company can conduct mining and exploitation work for the Iron Resources in the Target Iron Mine exclusively pursuant to the Mineral Laws.

As at 30 September 2008, the Existing Iron Company held the Iron Exploration Licences, which were acquired by the Existing Iron Company at nil cost in July 2008. The Iron Exploration Licences will not be held by the Target Group upon the completion of the Second Reorganisation.

2. The current liability represents the Sale Debts.

## Financial Information of the First Mongolia Company

	<b>As at 30 September 2008</b>	
	<i>US\$</i> (unaudited)	<i>HK\$</i> (unaudited) <i>(Note)</i>
Current assets	24,201	188,768
Intangible assets (Mining Rights)	—	—
<b>Total assets</b>	<b>24,201</b>	<b>188,768</b>
Current liability	—	—
Non-current liability	—	—
<b>Total liability</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>	<b>(24,201)</b>	<b>(188,768)</b>
	<b>For the period from</b>	
	<b>5 May 2008</b>	
	<b>to 30 September 2008</b>	
	<i>US\$</i> (unaudited)	<i>HK\$</i> (unaudited)
Revenue	—	—
Net loss before tax	(75,799)	(591,232)
<b>Net loss after tax</b>	<b>(75,799)</b>	<b>(591,232)</b>

*Note:* For illustration purpose, the exchange rate of US\$ is based on US\$1.00 = HK\$7.80.

## INFORMATION ON THE TARGET MINES

### Target Tungsten Mine

The tungsten deposits are located in Tsunheg, in the area of North West side of Mongolia in Bayan-Ulgii aimag Nogoon nuur soum. The Tungsten Mining Licence has an initial term of 30 years and it can be extended for two (2) successive additional periods of 20 years each. By an agreement dated 8 August 2008 and made between the Existing Tungsten Company as vendor and First Mongolia Company as purchaser, it has been agreed that the Tungsten Mining Licence and the Tungsten Exploration Licence shall be sold by the Existing Tungsten Company to the First Mongolia Company at a consideration of US\$10.35 million, equivalent to approximately HK\$80.73 million, which sale and purchase will be completed as part of (and before completion of) the Reorganisation.

The Directors are aware that the portion of the Acquisition Price in the sum of HK\$260 million attributable to the acquisition of the Tungsten Mining Licence represents a considerable premium over the consideration of US\$10.35 million for the previous acquisition of the Tungsten Mining Licence and the Tungsten Exploration Licence by the First Mongolia Company. The Directors are of the view that such portion of the Acquisition Price in the amount of HK\$260 million for the Tungsten Mining Licence is fair and reasonable and in the best interest of the Company and its Shareholders as a whole after taking into the following factors:

1. the Company has engaged B.I. Appraisals Limited, an independent professional firm of valuers to conduct the independent valuation on the fair value of the entire equity interest in the mining business of the Target Mines;
2. the Acquisition Price will be adjusted in accordance with the independent valuation of the entire equity interest in the mining business of Target Mines (particular of which is set out in the paragraph headed “Adjustments to the Acquisition Price”); and
3. before entering into the negotiation with the Vendor, the Directors do not have any information or knowledge about the Target Mines and therefore it is impossible for the Company to acquire Tungsten Mining Licence directly from the Existing Tungsten Company at a lower cost.



Based on the preliminary feasibility report supplied to the Company, the Target Tungsten Mine has raw tungsten deposits in the estimated quantity of approximately 19.9 million tons. According to the feasibility report, a tungsten mining plant has to be built, which is planned to be equipped with a production capacity of 3,000 tons of tungsten mine per day. The expected set-up cost for such tungsten mining plant is approximately US\$13.2 million, equivalent to approximately HK\$103.0 million. As at the date of this announcement, the detailed plan and time schedule for setting-up the tungsten mining plant is not yet finalized. In the event that the Company shall proceed to the setting-up of the tungsten mining plant and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

### **Target Iron Mine**

The iron deposits located in Tumurtei, Khuder Soum Selenge Aimag, Mongolia. The Iron Mining Licence has an initial term of 30 years and it can be extended for two (2) successive additional periods of 20 years each.

Based on the preliminary feasibility report supplied to the Company, the Target Iron Mine has raw iron deposits in the estimated quantity of approximately 32 million tons. According to the feasibility report, an iron mining plant has to be built, which is planned to be equipped with a production capacity of 5,000 tons of iron mine per day. The expected set-up cost for such iron mining plant is approximately US\$11.8 million, equivalent to approximately HK\$92.0 million. As at the date of this announcement, the detailed plan and time schedule for setting-up the iron mining plant is not yet finalized. In the event that the Company shall proceed to the setting-up of the iron mining plant and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in manufacturing and sales of pharmaceutical products.

In view of the continued economic growth and accelerated industrialization and urbanization in the PRC, there will be sustained demand for natural resources in long run, despite the current slump in mineral prices. The Directors believe that the demand for natural resources will be considerable and the Company's growth momentum will be maintained by diversifying into the natural resources area.

In view of the above, the Company therefore takes initiative in identifying business opportunities in new emerging industries that will broaden the revenue sources of the Group. The Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Company and its Shareholders. The Directors therefore believe that the Acquisition offers the Group with a good opportunity to diversify into the natural resources mining business that has good future prospect. Other than the Target Group, the Directors have not yet identified any other business opportunities that have a high-growth potential.

Like other new investment with high-growth potential, the Acquisition is subject to certain risks that may be faced by the Company, and details of these risk factors are set out in the below paragraph headed "Risk Factors". However, having balanced the potential revenue contribution from the Target Mine Businesses, its possible risks to the Company and the certain provisions under the Acquisition Agreement (including but not limited to one of the closing conditions that the value of the entire equity interest in the mining business of Target Mines is not less than the Acquisition Price and the relating adjustment mechanism, and other warranties given by the Vendor and the Warrantors in respect of the Target Group and the Target Mines), the Directors consider that the terms of the Acquisition (including the Acquisition Price and the payment methods thereof) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention to discontinue the existing business in manufacturing and sales of pharmaceutical products upon the Completion.

## **RISK FACTORS**

Possible risk factors which may be faced by the Company are as follows:

### **Pre-Mining Operations**

Pursuant to the pre-mining operations agreement with Mineral Resources and Petroleum Authority of Mongolia in respect of the Iron Mining Licence dated 13 June 2007 assigned to the Existing Iron Company on 19 August 2008 (“Pre-mining Operations Agreement”), the Existing Iron Company shall undertake:

- (1) to have the reserves of the deposits approved under B and C categories by 23 December 2008;
- (2) to have the reserves of the deposit approved by the Minerals Council of Mongolia and register such reserves with the state unified registry by 23 May 2009;
- (3) to submit the feasibility study for discussion to the Minerals Council of Mongolia by 23 July 2009; and
- (4) to conduct a general environmental impact assessment by 21 September 2009.

In addition to the above, the Existing Iron Company shall have the following obligations, among others, under the Pre-mining Operations Agreement:

- (1) to have the reserve approved by dates stipulated above;
- (2) to submit the feasibility study to the Mineral Resources and Petroleum Authority of Mongolia by 28 July 2009; and
- (3) to obtain permits for water and blasting.

Pursuant to the relevant regulations and laws of Mongolia, in the event that license holder fails to comply with its obligations under the Pre-mining Operations Agreement, the Iron Mining License may be revoked.

So far as the Directors are aware, there are presently no pre-mining operation requirements in respect of the Tungsten Mining Licence.

## **Deposits of Strategic Importance and Mongolian government equity participation in exploitation of deposits**

The Mineral Laws defines a mineral deposit of strategic importance (a “Strategically Important Deposit”) as a deposit that may have the potential to impact national security, or the economic and social development of the country at the national and regional levels, or that is generating, or has the potential to generate more than 5% of Mongolia’s gross domestic product in any given year.

Either the Mongolian Government or the Mongolian Parliament may initiate proposals to declare a deposit as being a Strategically Important Deposit, but the Mongolian Parliament must approve any such proposal.

The Mineral Laws provides that the Mongolian Government may be an equity participant with any private legal entity, to an extent of up to a 50% equity interest, in the exploitation of any deposit that has been designated as a Strategically Important Deposit, where the reserves/resources of the deposit have been defined by exploration deemed to have been funded from the state budget of the Mongolia. The percentage of the State’s equity interest will be determined by an agreement between the Mongolian Government and the private legal entity based on “the amount of investment made by the State.”

If the quantity and grade of a Strategically Important Deposit has been defined by exploration that has not been funded from the state budget, the State may participate in the exploitation of the deposit to an extent of up to 34% equity interest.

Since the enactment of the Mineral Laws, there has been a steady stream of proposals to increase the extent of the State’s equity interest in the exploitation of mineral deposits of strategic importance. However, in or around the end of 2008, none of these proposals has been enacted.

The Mineral Laws provides for an additional requirement that a legal entity holding a mining license covering a deposit of strategic importance must sell no less than 10% of its shares through the Mongolian Stock Exchange.

In the event that any and/or all of the natural resources are classified as Strategically Important Deposit, certain equity interest of the relevant members of the Target Group may be owned by the Mongolian Government. The equity interest held by the Target Company in its subsidiaries may accordingly be reduced, and the return to the Shareholders arising from the exploitation of the relevant Target Mines may be reduced.

### **Investments in new business**

The Acquisition constitutes an investment in the new business sector, including natural resources production. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. Accordingly, the Company would invite one or two experts who are currently management members of the Existing Tungsten Company and the Existing Iron Company or have experience in the areas of the new business to join the Board or management team of the Group to assist in such areas upon completion of the Acquisition. Although there is no provision under the Acquisition Agreement for the appointment of any of the Warrantors to the Board, the Company may invite one of the Warrantors to join the Board to supervise the operation of the Target Group (*Note*). If any mining projects, in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may affect the Company.

If any such expert or the beneficial owners of the Vendor joins the Board or if there is any change in the composition of the Board, the Company shall take steps to ensure compliance of the Listing Rules. Save for the above, the Directors do not contemplate that there will be any change in the composition of the Board immediately following the completion of the Acquisition.

*Note:* The Acquisition does not constitute a connected transaction under Rule 14A.13(1)(b)(i) of the Listing Rules as any of the Warrantors is not or is not proposed to be or will not as a result of the subject transaction become a controller (i.e. a Director, chief executive or controlling shareholder of the Company) under any provision of the Acquisition Agreement.

## **Cyclical nature of natural resources markets and fluctuations in their prices**

As a significant percentage of the revenue of the new business is derived from natural resources operations, part of the Company's future business and results of operations may depend on the international supply of and demand for natural resources. The fluctuations in supply and demand are caused by numerous factors beyond the Company's control, which include, but not limited to:

- (i) global and domestic economic and political conditions and competition; and
- (ii) the rate of growth and expansion in industries with high natural resources demand.

There is no assurance that the international demand for natural resources and related products will continue to grow, or that the international demand for natural resources and related products will not experience excess supply.

## **Significant and continuous capital investment**

The mining business requires significant and continuous capital investment. The natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of factors beyond the Company's control, which in turn may affect the Company's financial conditions.

## **Policies and regulations**

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and natural resources production projects may adversely affect the Company.

## **Country risk**

The Company is entering a new business in Mongolia, which the Company does not have any business in. There are risks relating to the possible changes in the business environment which may reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Target Mine Businesses.

## **Environmental protection policies**

The mining business is subject to Mongolian environmental protection law and regulations. If the Company fails to comply with existing or future environmental laws and regulations, the Company may be required to take remedial measures and/or incur compliance costs, which could have a material adverse effect on our business, operations, financial condition and results of operations.

## **LISTING RULES REQUIREMENTS**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholders have any material interest in the Acquisition, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular containing, among other information, (i) further details of the Acquisition, the Promissory Note and the Bonds; (ii) information required under Chapter 14 of the Listing Rules and (iii) a notice of the SGM, will be despatched to the Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 4 December 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 February 2009.

## **DEFINITIONS**

The following words and phrases used in this announcement have the following meaning:

“Acquisition”	the acquisition of the Sale Shares and the Sale Debts by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 3 December 2008 (as supplemented by the Supplemental Agreement No. 1 and the Supplemental Agreement No. 2 dated 5 January 2009 and 2 February 2009) entered into between the Company, the Purchaser, the Vendor and the Warrantors in relation to the Acquisition
“Acquisition Price”	initially, HK\$560 million (or initially HK\$300 million in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion), subject to adjustments, being the total consideration payable by the Purchaser to the Vendor for the Acquisition
“Associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors



“Bonds”	the zero coupon convertible bond(s) in an aggregate principal amount of not more than HK\$170 million due on the 5th anniversary of the Completion Date to be issued by the Company for settlement of part of the Acquisition Price (but in the event of the First Reorganisation not being consummated before Completion, no such Bonds will be created at all) pursuant to the terms of the Acquisition Agreement and to be created by the Instrument and for the time being outstanding or, as the context may require, any number of them
“Business Day”	any day (excluding Saturdays, Sundays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong) on which banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Closing Conditions”	the conditions precedent to the Completion
“Company”	Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Accounts”	the profit and loss account for the period commencing from 1 April 2008 and ending on the Completion Date and the consolidated balance sheet of the Target Group as at the Completion Date
“Completion Date”	the third Business Day after the fulfillment (or waiver) of the last of the Closing Conditions or such other date as the parties to the Acquisition Agreement shall agree in writing as the date on which Completion shall take place

“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Bonds (if issued)
“Deposits”	collectively the First Deposit and the Further Deposit (if paid at all) or any part of them
“Director(s)”	director(s) of the Company
“Existing Iron Company”	Khuderbold LLC, a company incorporated in Mongolia with limited liability and is wholly owned by the Target Company
“Existing Tungsten Company”	Baruun Mongolyn Metall LLC, a company incorporated in Mongolia with limited liability and is wholly owned by Independent Third Parties
“Exploration Licence(s)”	collectively the Tungsten Exploration Licence and the Iron Exploration Licences
“First Mongolia Company”	Cavern Riches LLC, a company incorporated in Mongolia with limited liability and is a wholly-owned subsidiary of the Target Company
“Golden Mount”	Golden Mount Limited, a substantial Shareholder as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	HK\$0.30 per Conversion Share (subject to adjustments)

“Independent Third Party(ies)”	third party(ies) independent of and not connected or acting in concert with the Company or any of its connected persons, nor are connected persons of the Company
“Instrument”	instrument to be executed by the Company by way of a deed poll constituting the Bonds
“Iron Exploration Licences”	mineral exploration licences No. 10142X and 11880X covering 262 and 219 hectares respectively of the mine constituting Target Iron Mine which are currently held by the Existing Iron Company, and after completion of the Second Reorganisation, to be held by the New Excluded Iron Company and holder of which shall have right to conduct exploration work for Iron Resources in the Target Iron Mine exclusively pursuant to the Mineral Laws
“Iron Mining Licence”	mineral mining licence No. 10811A covering 550 hectares of the Target Iron Mine which is currently and after completion of the Second Reorganisation, will continue to be held by the Existing Iron Company and holder of which shall have right to conduct mining and exploitation work for the Iron Resources in the Target Iron Mine exclusively pursuant to the Mineral Laws
“Iron Resources”	resources or reserves of iron in the Target Iron Mine
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 30 April 2009 or such later date as the relevant parties to the Acquisition Agreement may agree in writing
“Management Accounts”	the unaudited management accounts comprising the balance sheet of the Target Company as at 30 September 2008 and the income statement of the Target Company for the period from 1 April 2007 (or from the date of incorporation of the Target Company, if later) to 30 September 2008

“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business (including the Target Mine Businesses) or property, results of operations or prospects of the Target Group as a whole, including but not limited to any event that the amount of the additional liabilities exceed the sum of HK\$1 million
“Maturity Date”	the 5th anniversary of the issue date of the Bonds or, if that is not a Business Day, the first Business Day thereafter
“Mineral Laws”	the Mineral Laws of Mongolia which came into effect on 28 August 2006, as amended, modified or replaced from time to time and such other laws of Mongolia concerned with mineral resources, and such other related rules, regulations, measures and policies formulated and promulgated by the governmental agencies or public bodies of Mongolia (including without limitation national, provincial and other local authorities)
“Mining Licence(s)”	collectively, the Tungsten Mining Licence and the Iron Mining Licence
“Mongolia”	the Republic of Mongolia
“Mr. Chan”	Mr. Chan Shun Yuen, one of the Warrantors and a shareholder of the Vendor
“Mr. Ricky Chim”	Mr. Chim Kim Lun, Ricky, an executive Director
“Mr. Sun”	Mr. Sun Tak Keung, one of the Warrantors and a shareholder of the Vendor
“Natural Resources”	collectively, the Iron Resources and the Tungsten Resources or, if the context so requires, either of them

“New Excluded Iron Company”	a company incorporated or to be incorporated in Mongolia and held by the Vendor, which before Completion will become the registered holder and beneficial owner of the Iron Exploration Licences
“New Excluded Tungsten Company”	a company incorporated or to be incorporated in Mongolia and held by the Vendor, which before Completion will become the registered holder and beneficial owner of the Tungsten Exploration Licence
“Permit(s)”	<p>(i) permit, licence, consent, approval, certificate, qualification, specification, registration or other authorisation;</p> <p>(ii) a filing of a notification, report or assessment,</p> <p>in each case necessary for the effective operation of the business of the relevant companies of Target Group and their respective ownership, possession, occupation or use of an asset</p>
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	<p>(i) a promissory note in the principal amount of HK\$250 million (or, in the event of the First Reorganisation not being consummated before Completion, HK\$160 million) and (ii) (in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) before Completion) a promissory note in the principal amount of HK\$70 million, which may be issued pursuant to the terms of the Acquisition Agreement by the Purchaser with 15 months maturity from the date of issue at zero coupon rate for settlement of part of the Acquisition Price pursuant to the Acquisition Agreement</p>

“Properties”	all the properties owned, leased or occupied by the Target Group
“Purchaser”	Infinite Nature Limited, a wholly-owned subsidiary of the Company with limited liability, which was incorporated in BVI
“Purchaser Warranties”	warranties, representations and undertakings given by the Purchaser and/or the Company under the Acquisition Agreement
“Reorganisation”	collectively, the First Reorganisation and the Second Reorganisation
“Sale Debts”	such amount as equals the entirety of the face value of the loans outstanding as at Completion made by or on behalf of the Vendor to the Target Company (subject to adjustments)
“Sale Shares”	such number of shares of the Target Company as shall represent the entire issued share capital in the Target Company immediately before Completion, which will then be legally and beneficially owned by the Vendor and to be bought and sold on the terms of the Acquisition Agreement
“SGM”	the special general meeting of the Company to be convened for the purpose of, among other things, approving the Acquisition Agreement and the transactions contemplated thereby (including but not limited to the issue of the Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Bonds)
“Share Charge”	a share charge in relation to the charge and assignment over the entire issued shares of the Target Company created by the Vendor in favour of the Purchaser for the purpose of securing the repayment of the Deposits or any part thereof

“Shareholder Loans”	the interest-free loans owing from time to time by members of the Target Group to the Vendor and its Associates
“Share(s)”	ordinary share(s) of HK\$0.05 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement No. 1”	the supplemental agreement to the Acquisition Agreement dated 5 January 2009
“Supplemental Agreement No. 2”	the supplemental agreement to the Acquisition Agreement dated 2 February 2009
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Target Company”	Tian Sheng Resources Development Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company, the First Mongolia Company, the Existing Iron Company and their respective subsidiaries
“Target Iron Mine”	the iron deposits located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia, the mining licence in respect of which is currently and will upon and after the completion of the Second Reorganisation continue to be, held by the Existing Iron Company (but for the avoidance of doubt, excluding such mine being the subject of the Iron Exploration Licences which will after completion of the Second Reorganisation be held by the New Excluded Iron Company), and cover a site area of not less than 550 hectares

“Target Mines”	collectively, the Target Tungsten Mine and the Target Iron Mine
“Target Mine Businesses”	the mining and exploitation and sales of the Natural Resources (whether located in the Target Mines or otherwise)
“Target Tungsten Mine”	the tungsten deposits located in Tsunheg, in the area of North West side of Mongolia in Bayan-Ulgii aimag Nogoon nuur soum, the mining licence in respect of which is currently held by the Existing Tungsten Company and will be held by the First Mongolia Company after completion of the First Reorganisation (but for the avoidance of doubt, excluding such mine being the subject of the Tungsten Exploration Licence which will after completion of the First Reorganisation be held by the New Excluded Tungsten Company), and cover a site area of not less than 29 hectares
“Tungsten Exploration Licence”	mineral exploration licence No. 5480X covering 327 hectares of the mine including the Target Tungsten Mine which is currently held by the Existing Tungsten Company and, after completion of the First Reorganisation, to be held by the New Excluded Tungsten Company and holder of which shall have right to conduct exploration work for the Tungsten Resources in the Target Tungsten Mine exclusively pursuant to the Mineral Laws
“Tungsten Mining Licence”	mineral mining licence No. 3506A covering 29 hectares of the Target Tungsten Mine which is currently held by the Existing Tungsten Company and, after completion of the First Reorganisation, to be held by the First Mongolia Company and holder of which shall have right to conduct mining and exploitation work for the Tungsten Resources in the Target Tungsten Mine exclusively pursuant to the Mineral Laws
“Tungsten Resources”	resources or reserves of tungsten in the Target Tungsten Mine



“Vendor”	Bao Fung Investments Limited, a company incorporated in BVI with limited liability, whose shares are owned by the Warrantors
“Vendor Warranties”	warranties, representations and undertakings given by the Vendor and/or the Warrantors under the Acquisition Agreement
“Warrantors”	Mr. Sun and Mr. Chan, as warrantors of the Vendor
“Warranties”	the Vendor Warranties or, as the case may be, the Purchaser Warranties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%” or “per cent”	percentage

By Order of the Board  
**Asia Resources Holdings Limited**  
**Chim Kim Lun, Ricky**  
*Chairman*

Hong Kong, 2 February 2009

*As at the date of this announcement, the executive directors of the Company are Mr. Chim Kim Lun, Ricky and Mr. Chan Sung Wai, and the independent non-executive directors are Mr. Yiu Fai Ming and Mr. Zhang Xianlin.*

\* *denotes English transliteration of Chinese words and is provided for identification purposes only*