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**華南**

**WAH NAM INTERNATIONAL HOLDINGS LIMITED**

**華南投資控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(SEHK stock code: 159)**

**(ASX stock code: WNI)**

**SUBSCRIPTION OF BOND AND CONVERTIBLE BOND  
AND  
TERMINATION OF UNDERWRITING AGREEMENT**

**SUBSCRIPTION OF BOND AND CONVERTIBLE BOND**

On 6 March 2012, the Company and Ocean Line entered into the Bond Subscription Agreement pursuant to which the Company agreed to issue and Ocean Line agreed to subscribe for the Bond with a principal amount of HK\$78,000,000. The Bond Subscription will complete on or before 12 March 2012 or such other date as may be agreed between the parties.

On 6 March 2012, the Company and Ocean Line entered into the CB Subscription Agreement pursuant to which the Company agreed to issue and Ocean Line agreed to subscribe for the Convertible Bond with a principal amount of HK\$78,000,000. The CB Subscription is conditional upon, among other things, Independent Shareholders' approval and the Stock Exchange granting listing of and permission to deal in the Conversion Shares. In the event that the Independent Shareholders approve the CB Subscription, the Bond shall be redeemed in full and the proceeds from the redemption will be applied to subscribe for the Convertible Bond.

**TERMINATION OF THE UNDERWRITING AGREEMENT**

In view of the financial arrangement under the Bond and the Convertible Bond, the Placing under the Underwriting Agreement is no longer required and on 6 March 2012 following the execution of the Bond Subscription Agreement and the CB Subscription Agreement, the Company gave notice to REORIENT Financial Markets Limited (the placing agent) to terminate the Underwriting Agreement.

\* *for identification purpose only*

## **GENERAL**

Ocean Line is a substantial shareholder of the Company and is thus a connected person of the Company. As the Bond is unsecured and on normal commercial terms, the Bond Subscription constitutes a connected transaction for the Company but is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The CB Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Ocean Line and its associates are required to abstain from voting in respect of the resolution in relation to the CB Subscription. The Company will issue a circular as soon as possible on or before 27 March 2012, setting out details of the CB Subscription and the notice of the SGM to Shareholders.

WN Australia intends to release a supplementary bidder's statement under the Corporations Act, summarising the material terms and conditions of the Bond Subscription and CB Subscription as soon as practicable but, in any event, no later than 9 March 2012. WN Australia intends to extend the closing date of the offer period for the Conditional Offer to 4:00 p.m. Australian Western Standard Time on 23 April 2012.

## **BOND SUBSCRIPTION**

On 6 March 2012, the Company and Ocean Line entered into the Bond Subscription Agreement pursuant to which the Company agreed to issue and Ocean Line agreed to subscribe for the Bond with a principal amount of HK\$78,000,000.

### **Date**

6 March 2012

### **Parties**

- (1) Subscriber: Ocean Line Holdings Limited
- (2) Issuer: the Company

As at the date of this announcement, Ocean Line and its associates in aggregate hold (i) 878,704,440 WN Shares, representing approximately 14.86% of the entire issued share capital of the Company; and (ii) 2014 CB with a principal amount of HK\$173,940,000. Ocean Line is the subscriber of the Convertible Bond as further set out under the section headed "CB Subscription" below.

## **Principal terms of the Bond**

Principal amount : HK\$78,000,000

Bond Maturity date : a date falling on the first anniversary of the Bond Issue Date

Interest : interest is payable on the outstanding principal amount of the Bond on the Bond Maturity Date at the rate of 12% per annum accruing from the Bond Issue Date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days in arrears and on the Bond Maturity Date only, with interest payment date to fall on the Bond Maturity Date. A default interest at the rate of 20% per annum, calculated on the basis of the actual number of days elapsed in a year of 365 days, shall apply if the Bond becomes due and payable on the occurrence of any events of default (as set out in the Bond Subscription Agreement).

Early redemption right : subject to the prior written consent of the holder of the Bond, the Company may redeem the whole or part of the outstanding principal amount of the Bond. In the event that the Independent Shareholders approve the CB Subscription (as further set out under the section headed “CB Subscription” below), the Issuer shall be entitled to exercise the early redemption right of the Bond and redeem the whole of the outstanding principal amount of the Bond and the proceeds from the redemption shall be applied to subscribe for the Convertible Bond, and the prior written consent of the holder of the Bond for such early redemption shall be deemed to be given pursuant to the Bond Subscription Agreement. For the avoidance of doubt, in the event that the early redemption right is exercised in respect of the whole of the outstanding principal amount of the Bond prior to the Bond Maturity Date for exchange of the Convertible Bond, no interest shall be payable in respect of the whole of the principal amount of the Bond for the entire term; and in all other cases, in the event that the early redemption right is exercised in whole or part of the outstanding principal amount of the Bond prior to the Bond Maturity Date, no interest shall be payable in respect of the relevant principal amount of the Bond being so redeemed.

Completion of the Bond Subscription will take place on or before 12 March 2012 or such other date as may be agreed in writing by the parties.

The Bond is unsecured. Having regard that the Bond is unsecured and no interest of the Bond shall be payable in the event of early redemption following Independent Shareholders’ approval of the CB Subscription, the Directors consider that the terms of the Bonds are on normal commercial terms and fair and reasonable.

## **CB SUBSCRIPTION**

On 6 March 2012, the Company and Ocean Line entered into the CB Subscription Agreement pursuant to which the Company agreed to issue and Ocean Line agreed to subscribe for the Convertible Bond.

### **Date**

6 March 2012

### **Parties**

(1) Subscriber: Ocean Line Holdings Limited

(2) Issuer: the Company

Ocean Line is the subscriber of the Bond. As at the date of this announcement, Ocean Line and its associates in aggregate hold (i) 878,704,440 WN Shares, representing approximately 14.86% of the entire issued share capital of the Company; and (ii) 2014 CB with a principal amount of HK\$173,940,000.

### **Principal terms of the Convertible Bond**

Principal amount : HK\$78,000,000

Maturity date : a date falling on the third anniversary of the Issue Date

Interest : interest is payable on redemption of the outstanding principal amount of the Convertible Bond on the Maturity Date at the rate of 5% per annum accruing from the Issue Date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days in arrears and on the Maturity Date only, with interest payment date to fall on the Maturity Date. A default interest at the rate of 20% per annum, calculated on the basis of the actual number of days elapsed in a year of 365 days, shall apply if the Convertible Bond becomes due and payable on the occurrence of any events of default (as set out in the CB Subscription Agreement)

Conversion right : in the event that the holder of the Convertible Bond holds the 2014 CB, the conversion rights of the Convertible Bond shall not be exercisable unless and until the conversion rights of the 2014 CB have been exercised in full or the holder has transferred all its interests in the 2014 CB to an independent third party. Subject to the aforesaid proviso, for so long as the aggregate interests of the holder of the Convertible Bond (and its associates as defined under section 6 of the FATA) prior to the exercise of the conversion rights under the Convertible Bond do not exceed 14.9% of the then issued share capital of the Company, the exercise of the conversion rights of the relevant portion of the Convertible Bond shall be automatically triggered at the end of each month prior to the Maturity Date if and to the extent that, immediately upon exercise of the conversion right of the relevant portion of such Convertible Bond (provided always that, if it will result in the exercise of the conversion rights under the Convertible Bond as held by the holder in part, the conversion of which shall represent a minimum of 1,000,000 Conversion Shares), the aggregate interests of the holder of the Convertible Bond and its associates shall represent a percentage equivalent to or rounded up to (and in any event not exceeding) 14.9% of the then enlarged issued share capital of the Company. In such circumstances, the holder of the Convertible Bond shall be obliged to give notification to the Company, whereupon the outstanding amount of such Convertible Bond shall be converted into WN Shares.

In addition to the above, in the event that the holder of the Convertible Bond holds the 2014 CB, the conversion rights of such 2014 CB have been exercised in full or the holder has transferred all its interests in the 2014 CB to an independent third party, the Company shall be entitled to elect for the conversion of the Convertible Bond at any time by giving notice to the holder of the Convertible Bond, provided that immediately upon the Conversion, (a) the aggregate interests of the holder of the Convertible Bond and its associates shall not be more than 14.9% of the then enlarged issued share capital of the Company; or (b) the aggregate interests of the holder of the Convertible Bond and its associates shall be more than 14.9% of the then enlarged issued share capital of the Company, but the holder of the Convertible Bond (and/or its associates) has obtained prior approval from FIRB in relation to such resultant shareholdings in the Company.

- Mandatory redemption on Maturity Date** : the principal amount of the Convertible Bond which remains outstanding on the Maturity Date shall be automatically redeemed by the Company on the Maturity Date. Unless prior written consent from the holder of the Convertible Bond has been sought, the Company shall have no right to redeem any part of the outstanding principal amount of the Convertible Bond prior to the Maturity Date.
- Conversion Price** : the Conversion Price of HK\$0.60 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bond as follows
- Adjustment to the Conversion Price** : the Conversion Price is subject to adjustment for consolidation or subdivision of WN Shares provided that no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward
- Ranking of the Conversion Shares** : the Conversion Shares, when allotted and issued, will rank pari passu in all respects with the WN Shares in issue as at the Exercise Date

### **Conversion Shares**

Assuming full Conversion, a total of 130,000,000 Conversion Shares will be issued by the Company, representing (1) approximately 2.20% of the issued share capital of the Company as at the date of this announcement; and (2) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

### **Conversion Price**

The Conversion Price of HK\$0.60 per Conversion Share, which is the same as the initial conversion price of the 2014 CB, represents (i) a premium of approximately 15.4% over the closing price of HK\$0.52 per WN Share as quoted on the Stock Exchange on 5 March 2012, being the last trading day prior to the date of the CB Subscription Agreement; and (ii) a premium of approximately 13.6% over the average closing price per WN Share of approximately HK\$0.528 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 March 2012.

The Conversion Price was determined with reference to the terms of the 2014 CB, and the prevailing market price and the recent trading volume of the WN Shares and was negotiated on an arm's length basis between the parties. The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company) consider that the terms of the CB Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions of the CB Subscription**

Completion of the CB Subscription is conditional upon the following conditions:

- (1) the passing by the Independent Shareholders at the SGM of the resolution approving the CB Subscription Agreement and the transactions contemplated thereunder;
- (2) the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (3) there being no breach of the warranties given by the Company under the CB Subscription Agreement; and
- (4) there being (from the date of the CB Subscription Agreement up till the time immediately prior to the Completion Date) no material adverse change in the financial position and trading prospects of the Group and no event which has or could reasonably be expected to have a material adverse effect on the Group to the reasonable satisfaction of Ocean Line.

Ocean Line is entitled to waive the satisfaction of conditions (3) and (4) above.

## **Completion of the CB Subscription**

Completion of the CB Subscription will take place on the Completion Date.

## **Specific Mandate**

The Convertible Bond (including the allotment and issue of the Conversion Shares upon Conversion) will be issued under a specific mandate to be approved by the Independent Shareholders at the SGM.

## **Listing application**

The Convertible Bond will not be listed on any stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Company will apply for quotation of the Conversion Shares on the ASX once they have been allotted.

## **USE OF PROCEEDS**

Subject to obtaining Independent Shareholders' approval for the CB Subscription, the Bond shall be redeemed in full and effectively replaced by the Convertible Bond. The gross proceeds and net proceeds of the Bond Subscription/CB Subscription will be HK\$78 million. The net proceeds from the Bond Subscription/CB Subscription shall be used to partly finance the cash portion of the consideration for the Conditional Offer. The net issue price per Conversion Share based on the above net proceeds is approximately HK\$0.60.

## **TERMINATION OF THE UNDERWRITING AGREEMENT**

In view of the financial arrangement under the Bond and the Convertible Bond, the Placing under the Underwriting Agreement is no longer required and on 6 March 2012 following the execution of the Bond Subscription Agreement and the CB Subscription Agreement, the Company gave notice to REORIENT Financial Markets Limited (the placing agent) to terminate the Underwriting Agreement. Details of the Underwriting Agreement were set out in the Company's announcements dated 12 December 2011 and 31 January 2012.

## **REASONS FOR AND BENEFIT OF THE TRANSACTIONS**

Ocean Line has agreed to subscribe for the Convertible Bond. As Ocean Line is a connected person of the Company, the CB Subscription is a connected transaction for the Company subject to the Independent Shareholders' approval. Therefore, the CB Subscription cannot complete until the conditions precedent (including obtaining Independent Shareholders' approval) are satisfied. The issue of the Bond will allow the Company a quicker access to the funding and match the timetable for the Conditional Offer.

The financial arrangement under the Bond and the Convertible Bond is to replace the Placing to partially finance the cash portion of the consideration for the Conditional Offer. The Placing under the Underwriting Agreement has a long-stop date of 6 April 2012. The Company considers that the new financial arrangement will allow the Company to have quicker access to funds while at the same time it is not required to issue new WN Shares immediately diluting the interest of the existing Shareholders. The Company is of the view that the issue of the Bond/Convertible Bond to Ocean Line would also strengthen the Group's strategic relationship with Ocean Line. The Directors consider that the terms of the Bond Subscription are on normal commercial terms and are fair and reasonable and the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company) consider that the terms of the CB Subscription are fair and reasonable and the new financial arrangement under the Bond and the Convertible Bond is in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND OCEAN LINE**

The Group is principally engaged in: exploitation, processing and sales of mineral resources, including copper, zinc and lead ore concentrates in the PRC, provision of limousine rental and airport shuttle bus services in Hong Kong and the PRC, acquisition, exploration and development of mineral tenements in Australia, and investment in equity securities.

Ocean Line is principally engaged in shipping and is one of the largest privately owned shipping companies in Hong Kong. It mainly focuses on the shipment of bulk commodities with its bulk carriers. Ocean Line's vessels operate worldwide regularly serving mining and commodity trading companies.



## SHAREHOLDING TABLE

	As at the date of this announcement		After completion of the CB Subscription and assuming full conversion of the 2014 CB and the Convertible Bond (absent any other changes)	
	No. of WN Shares	%	No. of WN Shares	%
The XSS Group Limited and its subsidiaries ( <i>note 1</i> )	361,300,276	6.11	361,300,276	5.70
Shimmer Expert Investments Limited ( <i>note 2</i> )	179,548,000	3.04	179,548,000	2.84
Parklane International Holdings Limited ( <i>note 3</i> )	87,592,592	1.48	87,592,592	1.38
Ocean Line and its associates	878,704,440	14.86	1,298,604,440	20.50
Public Shareholders	4,407,234,095	74.51	4,407,234,095	69.58
	<u>5,914,379,403</u>	<u>100.00</u>	<u>6,334,279,403</u>	<u>100.00</u>

### Notes:

1. These WN Shares are held indirectly by The XSS Group Limited, a company incorporated in the British Virgin Islands, and 50%, 20% and 30% issued share capital of which is beneficially owned by Mr. Luk Kin Peter Joseph (an executive Director), Ms. Cheung Sze Wai (Mr. Luk's spouse) and Ms. Chong Yee Kwan (Mr. Luk's mother) respectively.
2. These WN Shares are held by Shimmer Expert Investments Limited, a company incorporated in the British Virgin Islands, and the entire issued share capital of which is beneficially owned by Groom High Investments Limited. Groom High Investments Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ms. Zhang Li, a director of a subsidiary of the Company.
3. These WN Shares are held by Parklane International Holdings Limited, a company incorporated in the British Virgin Islands, and the entire issued share capital of which is beneficially owned by Mr. Leung Chi Yan, a director of certain subsidiaries of the Company.
4. This percentage interest to be held by Ocean Line and its associates is for illustrative purposes only. Pursuant to the terms of the 2014 CB and the Convertible Bond, unless prior approval from FIRB has been obtained by the holder of the 2014 CB and/or the Convertible Bond (and/or its associates as defined under section 6 of FATA), conversion of the 2014 CB and/or the Convertible Bond can only take place if the holder of the 2014 CB and/or the Convertible Bond and its associates will not be interested in more than 14.9% of the then enlarged issued share capital of the Company.

## FUND RAISING IN THE PAST 12 MONTHS

The following table sets out the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual application of the net proceeds</b>
12 December 2011	Issue of new WN Shares and the 2014 CB	Approximately HK\$506.8 million	To partially finance the cash portion of the consideration for the Conditional Offer.	As the Conditional Offer remains conditional as at the date of this announcement, no consideration has been paid to any BRM Shareholders who have accepted the Conditional Offer. Hence, the net proceeds have not been utilised and have been placed in bank deposits.

## GENERAL

Ocean Line is a substantial shareholder of the Company and is thus a connected person of the Company. The Bond is unsecured and on normal commercial terms. As such, the Bond Subscription constitutes a connected transaction for the Company but is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The CB Subscription constitutes a connected transaction for the Company subject to Independent Shareholders' approval pursuant to the requirements of Chapter 14A of the Listing Rules. Ocean Line and its associates who in aggregate hold 878,704,440 WN Shares (approximately 14.86% of the WN Shares in issue) as at the date of this announcement are required to abstain from voting in respect of the resolution in relation to the CB Subscription. The Company will issue a circular as soon as possible on or before 27 March 2012, setting out details of the CB Subscription and the notice of the SGM to the Shareholders.

WN Australia intends to release a supplementary bidder's statement under the Corporations Act, summarising the material terms and conditions of the Bond Subscription and CB Subscription as soon as practicable but, in any event, no later than 9 March 2012.

WN Australia intends to extend the closing date of the offer period for the Conditional Offer to 4:00 p.m. Australian Western Standard Time on 23 April 2012. Further announcement will be made by the Company in relation to the extension.

## DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“2014 CB”	the convertible bond due 10 January 2014 issued by the Company with an outstanding principal amount of HK\$173,940,000 as at the date of this announcement
“ASX”	ASX Limited (trading as the Australian Securities Exchange)
“Board”	the board of Directors
“Bond”	the bond to be issued by the Company to Ocean Line in the principal amount of HK\$78,000,000 in aggregate subject to the terms of the Bond Subscription Agreement
“Bond Issue Date”	the date on which the Bond is issued by the Company to Ocean Line under the Bond Subscription Agreement
“Bond Maturity Date”	a date falling on the first anniversary of the Bond Issue Date
“Bond Subscription”	the subscription of the Bond by Ocean Line pursuant to the Bond Subscription Agreement
“Bond Subscription Agreement”	the bond subscription agreement entered into between the Company and Ocean Line on 6 March 2012
“BRM”	Brockman Resources Limited ACN 009 372 150, the ordinary shares of which are listed on ASX
“BRM Shareholders”	holders of any BRM Shares
“BRM Shares”	ordinary fully paid shares in BRM

“Business Day”	a day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for the transaction of general banking business by members of the public
“CB Subscription”	the subscription of the Convertible Bond by Ocean Line pursuant to the CB Subscription Agreement
“CB Subscription Agreement”	the subscription agreement entered into between the Company and Ocean Line on 6 March 2012
“Company”	Wah Nam International Holdings Limited, the shares of which are dually listed on the Stock Exchange and ASX
“Completion Date”	the 2nd Business Day after the fulfillment (or waiver as applicable) of the conditions set out in the CB Subscription Agreement or such other date as may be agreed in writing by the Company and Ocean Line
“Conditional Offer”	the takeover offer by WN Australia to acquire all the BRM Shares not held by it announced by the Company on 12 December 2011
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules
“Conversion”	the exercise of the conversion rights attached to the Convertible Bond and the issuance of the Conversion Shares accordingly
“Conversion Price”	the price at which each Conversion Share will be issued upon Conversion, being HK\$0.60 per Conversion Share and subject to adjustments which may be made pursuant to the terms and conditions of the Convertible Bond, provided that if such price shall be less than the nominal amount of a WN Share, the nominal amount of a WN Share
“Conversion Shares”	the new WN Shares to be issued upon Conversion
“Convertible Bond”	the convertible bond to be issued by the Company to Ocean Line in the principal amount of HK\$78,000,000 in aggregate subject to the terms of the CB Subscription Agreement
“Corporations Act”	the Australian Corporations Act 2001 (Cth)
“Director(s)”	the director(s) of the Company

“Exercise Date”	a date on which a notice is given pursuant to the CB Subscription Agreement in respect of the Conversion
“FATA”	the Australian Foreign Acquisitions and Takeovers Act 1975 (Cth)
“FIRB”	the Foreign Investment Review Board of Australia
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	holders of WN Shares other than Ocean Line and its associates for the purposes of the CB Subscription
“Issue Date”	the date on which the Convertible Bond is issued by the Company to Ocean Line under the CB Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	a date falling on the third anniversary of the Issue Date
“Ocean Line”	Ocean Line Holdings Limited
“Placing”	the placing on a fully underwritten basis of 130,000,000 new WN Shares pursuant to the terms of the Underwriting Agreement
“PRC”	the People’s Republic of China
“Relevant Interest”	has the meaning given in sections 608 and 609 of the Corporations Act
“SGM”	the special general meeting to be convened and held by the Company in relation to the CB Subscription
“Shareholder(s)”	holder(s) of any WN Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriting Agreement”	the underwriting agreement entered into between the Company and REORIENT Financial Markets Limited on 12 December 2011 as amended by the supplemental agreement dated 31 January 2012 in relation to the Placing

“WN Australia”	Wah Nam International Australia Pty Ltd, a wholly-owned subsidiary of the Company
“WN Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“%”	per cent

By order of the Board  
**Wah Nam International Holdings Limited**  
**Luk Kin Peter Joseph**  
*Chairman*

Hong Kong, 6 March 2012

*As at the date of this announcement, the Board comprises Mr. Luk Kin Peter Joseph, Mr. Chan Kam Kwan, Jason and Mr. Chu Chung Yue, Howard as executive Directors, and Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart and Mr. Yip Kwok Cheung, Danny as independent non-executive Directors.*