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## **NORTH ASIA RESOURCES HOLDINGS LIMITED**

**北亞資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 61)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013**

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of North Asia Resources Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. The condensed consolidated interim financial information has not been audited but has been reviewed by the Company’s audit committee.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	40,335	39,153
Cost of sales and services rendered		<u>(28,409)</u>	<u>(32,404)</u>
<b>Gross profit</b>		<b>11,926</b>	6,749
Other operating income		417	678
Selling and distribution expenses		(1,495)	(1,797)
Administrative expenses		(54,415)	(26,460)
Other operating expenses		(2)	(127)
Change in fair value of derivative component of convertible loan notes		37,190	4,358
Gain (loss) on amendment of terms of convertible loan notes		14,538	(21,118)
Loss on redemption of convertible loan notes		(91,812)	–
Loss on redemption of promissory notes		(29,491)	–
Gain on disposal of subsidiaries		93,294	–
Impairment loss recognised in respect of mining rights		–	(1,700)
Finance costs	4	<u>(52,953)</u>	<u>(19,403)</u>
Loss before taxation		(72,803)	(58,820)
Income tax	5	<u>(40)</u>	<u>(124)</u>
<b>Loss for the period</b>	6	<b><u>(72,843)</u></b>	<b><u>(58,944)</u></b>
Attributable to:			
Owners of the Company		(65,133)	(58,505)
Non-controlling interests		<u>(7,710)</u>	<u>(439)</u>
		<b><u>(72,843)</u></b>	<b><u>(58,944)</u></b>
Loss per share			
Basic and diluted ( <i>HK cents</i> )	8	<u>(4.51)</u>	<u>(5.14)</u>

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(72,843)</u>	<u>(58,944)</u>
Other comprehensive income (expenses)		
Items that may be subsequently reclassified to profit or loss:		
Exchange reserve realised on disposal of subsidiaries	204	–
Exchange differences on translation of foreign operations	<u>117</u>	<u>(371)</u>
Other comprehensive income (expenses) for the period, net of tax	<u>321</u>	<u>(371)</u>
<b>Total comprehensive expenses for the period, net of tax</b>	<b><u>(72,522)</u></b>	<b><u>(59,315)</u></b>
Total comprehensive expenses for the period attributable to:		
Owners of the Company	(64,812)	(58,876)
Non-controlling interests	<u>(7,710)</u>	<u>(439)</u>
	<b><u>(72,522)</u></b>	<b><u>(59,315)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		749,511	103,041
Goodwill		5,021,022	–
Mining rights		12,027,406	441,214
Deposit for acquisition of a subsidiary		–	23,088
Prepayments for acquisition of property, plant and equipment		57,126	–
		<u>17,855,065</u>	<u>567,343</u>
<b>Current assets</b>			
Inventories		9,821	7,188
Trade and other receivables	9	233,323	61,092
Amount due from a related company		9	–
Amounts due from non-controlling interest holders		–	273
Amount due from a director		1	187
Derivative component of convertible loan notes		19,945	–
Bank balances and cash		208,962	13,336
		<u>472,061</u>	<u>82,076</u>
<b>Current liabilities</b>			
Trade and other payables	10	752,192	58,824
Payables for mineral resources compensation fees		142,168	–
Amounts due to related companies		445,767	–
Amount due to a non-controlling interest holder		639,122	306
Amount due to a director		731	138
Other borrowings		37,755	–
Derivative component of convertible loan notes		1,673,734	–
Liabilities component of convertible loan notes		–	293,925
Income tax liabilities		6,603	6,713
		<u>3,698,072</u>	<u>359,906</u>
<b>Net current liabilities</b>		<u>(3,226,011)</u>	<u>(277,830)</u>
<b>Total assets less current liabilities</b>		<u>14,629,054</u>	<u>289,513</u>

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	<b>31 December 2012 HK\$'000 (Audited)</b>
<b>Capital and reserves</b>		
Share capital	<b>27,570</b>	11,948
Convertible preference shares	<b>21,071</b>	20,365
Reserves	<b>587,139</b>	216,446
<b>Equity attributable to owners of the Company</b>	<b>635,780</b>	248,759
<b>Non-controlling interests</b>	<b>6,450,899</b>	(2)
<b>Total equity</b>	<b>7,086,679</b>	248,757
<b>Non-current liabilities</b>		
Amount due to a non-controlling interest holder	<b>1,829,636</b>	–
Provision for restoration, rehabilitation and environmental costs	<b>60,334</b>	–
Promissory notes	<b>336,116</b>	–
Liabilities component of convertible loan notes	<b>2,532,457</b>	–
Deferred tax liability	<b>2,783,832</b>	40,756
	<b>7,542,375</b>	40,756
	<b>14,629,054</b>	289,513

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2013*

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. During the period, the Group were principally involved in the distribution of information technology products and geological survey, exploration and development of coal, iron, gold and other mineral deposits (mining operation), sales of coking coal, iron ore and alluvial gold and coal trading and logistics services.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### *Basis of preparation of the condensed consolidated interim financial information*

In preparing the condensed consolidated interim financial information, the directors of the Company have given consideration to the future liquidity of the Group.

As at 30 June 2013, the Group had net current liabilities of approximately HK\$3,226,011,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2013 as the directors had taken into consideration of the following facts and circumstances:

- i) as at 30 June 2013, included in the current liabilities of the Group was derivative component of convertible loan notes of approximately HK\$1,673,734,000 which represented options to entitle the holders to convert the convertible loan notes into ordinary shares of the Company before the maturity dates of the convertible loan notes. Such derivative components of convertible loan notes shall not result in any cash outflow for the Group;
- ii) the related companies will not demand the settlement for the amounts due from the Group until it is in the financial position to do so;
- iii) 山西煤炭運銷集團有限公司 (Shanxi Coal Transportation and Sales Group Co., Ltd), a non-controlling interest holder of a subsidiary, 山西煤炭運銷集團能源投資開發有限公司 (“Shanxi Coal”), who had significant influence over Shanxi Coal, had made advances amounting to approximately HK\$2,468,758,000 as at 30 June 2013 and provided an additional unutilised loan facility to the Group amounting to approximately HK\$1,972,891,000 based on a lending facilities letter entered on 25 May 2013 between Shanxi Coal and Shanxi Coal Transportation and Sales Group Co., Ltd; and
- iv) the Group can generate positive cash inflow in the future.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis. If adequate finance is not available including as a result of any delay in the resumption of the mining operations of the Group, the Group may be unable to meet its obligations as and when they fall due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated interim financial information:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC)*–Int 20	Stripping Costs in the Production Phase of a Surface Mine

\* *HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee).*

Except as described below, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial information and/or disclosures set out in these condensed consolidated interim financial information.

## **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied, for the first time, HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated interim financial information as it only deals with separate financial statements.

The impact of the application of these standards is set out below.

### **Impact of the application of HKFRS 10**

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)–Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Group owns 49% equity interest in Shanxi Coal. The Group's ownership of 49% equity interest in Shanxi Coal gives the Group the same percentage of the voting rights in Shanxi Coal. The Group's 49% equity interest in Shanxi Coal was acquired on 7 June 2013 and there has been no change in the Group's ownership in Shanxi Coal since then. The remaining 51% of the registered capital of Shanxi Coal is owned by two equity interest holders, who holds 41% and 10% respectively. The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over Shanxi Coal in accordance with the new definition of control and the related guidance set out in HKFRS 10.

The directors of the Company concluded that it has had control over Shanxi Coal since the completion of acquisition on 7 June 2013 on the basis that under the amendments made to the memorandum and articles of association of Shanxi Coal on 21 December 2009, the Group are able to appoint five directors out of nine on the board of directors of Shanxi Coal through its wholly owned subsidiaries and a resolution to be passed by the board of directors of Shanxi Coal requires a simple majority. Upon Shanxi Coal were effectively acquired by the Group on 7 June 2013, the Group is able to control the decision making of the board of directors of Shanxi Coal through its wholly owned subsidiaries.

In addition, all the shareholders of Shanxi Coal agreed that they will approve the plans and proposals, including operating and investment plan, financial budgeting, profit appropriation, extraction of discretionary reserve and the issuance of bonds, proposed by the board of directors of Shanxi Coal. Accordingly, Shanxi Coal is accounted for as a subsidiary of the Company.

### **HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time during the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.



The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **Amendments to HKAS 34 Interim Financial Reporting**

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

## **3. TURNOVER AND SEGMENT INFORMATION**

The Group’s operating segments based on information reported to the board of directors (being the CODM) for the purposes of resources allocation and performance assessment are as follows:

Banking and finance systems integration services and software solutions	–	Provision of systems integration, software development, software solution engineering, maintenance and professional outsourcing services for the banking and finance, telecommunications and public sector clients
Mining operation	–	Geological survey, exploration and development of coal, iron, gold and other mineral deposits (mining operation) and sales of coking coal, iron ore and alluvial gold
Coal operation	–	Provision of coal trading and logistics services

## Segments revenues and results

The following is an analysis of the Group's revenues and results by reportable and operating segments.

	Banking and finance systems integration services and software solutions		Mining operation		Coal operation		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June								
TURNOVER								
Sales to external customers	<u>16,297</u>	<u>22,814</u>	<u>9,537</u>	<u>–</u>	<u>14,501</u>	<u>16,339</u>	<u>40,335</u>	<u>39,153</u>
RESULTS								
Segment loss	<u>(3,475)</u>	<u>(706)</u>	<u>(14,182)</u>	<u>(10,984)</u>	<u>(2,245)</u>	<u>(1,272)</u>	<u>(19,902)</u>	<u>(12,962)</u>
Unallocated income							130,637	4,358
Unallocated expenses							(130,585)	(30,813)
Finance costs							<u>(52,953)</u>	<u>(19,403)</u>
Loss before taxation							<u>(72,803)</u>	<u>(58,820)</u>

Segment loss represents the loss from each segment without allocation of central administrative expenses, directors' and chief executive's emoluments, change in fair value of derivative component of convertible loan notes, gain (loss) on amendment of terms of convertible loan notes, loss on redemption of convertible loan notes, loss on redemption of promissory notes, gain on disposal of subsidiaries, interest income and finance costs. This is the measure reported to CODM for the purposes of resources allocation and performance assessment.

## Segments assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

### Segment assets

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Banking and finance systems integration services and software solutions	<b>50,168</b>	45,219
Mining operation	<b>13,003,437</b>	567,257
Coal operation	<b>20,696</b>	15,547
	<hr/>	<hr/>
Total segment assets	<b>13,074,301</b>	628,023
Unallocated	<b>5,252,825</b>	21,396
	<hr/>	<hr/>
Consolidated assets	<b>18,327,126</b>	649,419

### Segment liabilities

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Banking and finance systems integration services and software solutions	<b>59,188</b>	41,220
Mining operation	<b>3,550,745</b>	2,136
Coal operation	<b>248,458</b>	994
	<hr/>	<hr/>
Total segment liabilities	<b>3,858,391</b>	44,350
Unallocated	<b>7,382,056</b>	356,312
	<hr/>	<hr/>
Consolidated liabilities	<b>11,240,447</b>	400,662

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– amount due to a non-controlling interest holder	12,505	–
Less: amount capitalised in construction in progress	(290)	–
	<u>12,215</u>	<u>–</u>
– effective interest expense on convertible loan notes	37,834	18,695
– promissory notes	2,143	–
– other borrowings	523	708
	<u>52,715</u>	<u>19,403</u>
Imputed interest for provision for restoration, rehabilitation and environmental costs	238	–
	<u>52,953</u>	<u>19,403</u>

#### 5. INCOME TAX

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
People's Republic of China (the "PRC") Enterprises Income Tax		
– current	40	86
Mongolia Economic Entity Income Tax		
– current	–	38
	<u>40</u>	<u>124</u>

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and the BVI.

No provisions for Hong Kong Profits Tax have been made for subsidiaries established in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during both periods under review.

Profits of subsidiaries established in the PRC and Mongolia are subject to PRC Enterprise Income Tax and Mongolia Economic Entity Income Tax respectively.

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold	<b>23,080</b>	24,397
Depreciation of property, plant and equipment	<b>10,220</b>	6,064
Staff costs (including directors' and chief executive's emoluments)		
– Wages and salaries	<b>11,647</b>	6,732
– Retirement benefit schemes contributions	<b>1,057</b>	874

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company	<b>(65,133)</b>	(58,505)
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of		
basic loss per share	<b>1,445,573,606</b>	1,138,007,578

## 9. TRADE AND OTHER RECEIVABLES

The Group normally grants to its trade customers credit periods ranging from 30 days to 180 days. The ageing analysis of trade receivables, net of impairment losses recognised, based on the invoice dates which approximated the respective revenue recognition dates at the end of the reporting period was as follows:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Within 90 days	29,273	28,350
91 days to 180 days	4,366	4,095
181 days to 365 days	7,839	1,981
Over 365 days	1,869	5,428
	<b>43,347</b>	39,854
Bills receivables	6,173	–
Prepayments, deposits and other receivables	183,803	16,600
Trade deposits paid	–	4,638
	<b>233,323</b>	61,092

## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Trade payables		
– third parties	24,095	2,406
– a non-controlling interest holder	325	325
	<b>24,420</b>	2,731
Receipts in advance	61,223	11,909
Accrued staff costs	19,247	7,829
Other taxes payable	10,513	5,623
Accrued interests	168	7,020
Considerations for acquisition of subsidiaries	435,130	–
Payables for construction works and purchase of machineries	93,062	–
Accrued expenses and other payables	108,429	23,712
	<b>752,192</b>	58,824

The ageing analysis of trade payables based on the invoice date at the end of the reporting period was as follows:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Within 90 days	20,234	790
91 days to 180 days	1,432	387
181 days to 365 days	1,199	7
Over 365 days	1,555	1,547
	<b>24,420</b>	2,731

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Overview**

During the period under review, the Company has been diligently working towards the simultaneous acquisition of certain coal mines in Shanxi Province from City Bloom Limited, an independent third party; the disposal of its iron mining, coal trading and logistics businesses to Mountain Sky Resources (Mongolia) Limited (“MSM”), one of the major shareholders of the Company at that moment; and the restructuring of its existing financial obligations with Business Ally Investments Limited (“Business Ally”). The acquisition, disposal and restructuring were completed on 7 June 2013. Full details of the acquisition, disposal and the restructuring, among other things, are published in the announcements of the Company dated 8 October 2012, 29 November 2012, 14 December 2012, 28 February 2013, 13 March 2013, 18 March 2013, 7 June 2013, 11 June 2013 and the Company’s circular dated 25 March 2013.

Furthermore, towards the end of the year of 2012, the Company entered into the placing agreement (the “Placing Agreement”) to place the convertible bonds (“New CBs”) and the promissory notes (“PNs”) each in the principal amount of up to US\$30,000,000 (the “Placing”) on a best effort basis and supplemented by extension letters dated 31 December 2012 and 18 March 2013 and supplemental agreements dated 11 June 2013, 24 June 2013 and 28 June 2013. Part of the Placing was completed on 24 June 2013 and the remainder completed on 3 July 2013. The net proceeds from the Placing were approximately US\$59,642,000 (equivalent to HK\$465,208,000). The Placing further solidifies the Company’s plans for the operation of the coal mines upon the completion of the acquisition.

#### **Coal Mining**

Following the completion of the acquisition on 7 June 2013, Lexing Group has become an indirect wholly-owned subsidiary group of the Company. Lexing Group currently owns 49% interest in a Shanxi coal mining business that owns and operates five coking coal mines in Gujiao city of Shanxi province in the PRC. According to the Competent Person’s Report issued by John T. Boyd Company, as at 30 September 2012, the mines have an aggregate 87.85 million tonnes of JORC\* resources and 46.59 million tonnes of JORC\* recoverable reserves. Although the major technical improvement works undertaken at Jinxin and Fuchang mines were completed at the end of March 2013 according to the original schedule, certain problems that lead to suboptimal operating conditions were discovered during the trial run conducted in

the second half of the year. As such, our engineers are arranging various modifications to fix those problems and improve the efficiency of future operations. According to our engineers' technical assessment, the modifications will not involve major alterations to the Jinxin and Fuchang mines. However, because government approvals are required for the aforementioned modifications, the commencement of commercial production will be delayed. The Group is actively working to finalize the modification plan and will target to apply to the related government bureaus for approval before the end of third quarter of this year.

A 35kV power plant has also been constructed by the Group for the purpose of providing a steady supply of electricity to the mines. While the Group has applied for the final government approval for operation of the plant, the inspection process of the plant has not yet been completed. The delay of the operation of the power plant has affected the trial run schedule of Jinxin and Fuchang mines as well as the original Technical Improvement Works schedules for Liaoyuan, Xinfeng and Bolong mines. The management expects to obtain government approval for the use of the power plant at the beginning of the fourth quarter of this year.

Moreover, due to certain new safety standards promoted by the related government bureaus in the past few months, the management expects that the original Technical Improvement Works plan of Liaoyuan, Xinfeng and Bolong mines will now be completed in the fourth quarter of this year. The Company's engineers do not expect the new safety standards will cause any major impact to the original Technical Improvement Works plan, however, a longer trial run period, as compared to the original plan, may be required before the commencement of commercial operation to ensure the Group has complied with the newest safety standards. In light of these new developments, the management will exert its utmost effort to mitigate any impact on the business and the Group will strive to complete all modification works by the end of this year and commence full production as early as possible.

The schedule of the improvement works and operation of the respective mines are set out below:

	<b>Expected completion date of the reconstruction and improvement works</b>	<b>Expected date of commencement of commercial operation</b>
Liaoyuan Mine	30 Nov 2013	1 Apr 2014
Jinxin Mine	Completed	15 Jan 2014
Xinfeng Mine	31 Dec 2013	1 May 2014
Bolong Mine	31 Dec 2013	1 Jun 2014
Fuchang Mine	Completed	31 Dec 2014



The summary of expenditure incurred for the six months ended 30 June 2013 for the mine development and improvement works are set out below:

	<i>HK\$ in million</i>
Liaoyuan Mine	31.2
Jinxin Mine	6.2
Xinfeng Mine	25.4
Bolong Mine	41.2
Fuchang Mine	13.6
	<hr/>
Total	<u>117.6</u>

\* *JORC is a professional code of practice that sets minimum standard for public reporting of minerals exploration results, mineral resources and ore reserves established by the Australasian Joint Ore Reserves Committee.*

### **Banking and Finance Systems Integration Services Businesses**

In the first half of 2013, the slowed economic growth in the PRC, shortage of funds and continuously rising labor costs made it more difficult for enterprises to operate.

The automated teller machine maintenance business reduced as compared to the corresponding period of the previous year because of the continuous decline of maintenance fees resulting from market competition. Furthermore, equipment manufacturers' direct engagement in this sector increased difficulties in competitive bidding which in turn put us in an unfavorable position. These circumstances resulted in decrease of both the turnover and gross margin from the Banking and Finance Systems Integration Services Business as compared to the corresponding period of the previous year.

The Board anticipates that the economy in the PRC will continue to face a variety of challenges, such as shortage of capital, fierce competition, over-production, and increasing rent and labor costs, which will bring more difficulties to the operation. In light of the adverse operating environment, the Group wishes to strengthen its internal management by implementing strict measures to control costs and expenses and to increase operating efficiency.

As mentioned in the announcement dated 17 July 2013, Mr. Tang Kin Hung, the director of Topsoft Limited, Topasia Computer Limited, Sequent China/Hong Kong Limited and BMC Software (China) Limited (all the wholly-owned subsidiaries of the Company), unfortunately passed away on 11 July 2013. Mr. Tang was responsible for these businesses for many years, so his passing will have an effect on the operation. However, the Directors and management shall make every effort to minimize the impact of this unfortunate event on the related businesses and consider that the passing away of Mr. Tang will not have material adverse impact on the Group as a whole.

## Updates to Legal Proceedings

As detailed in the Company's announcements dated 27 August 2012, 8 October 2012, and the Company's 2012 Annual Report, the Directors were notified that Mountain Sky Resources Holdings Limited (the "Claimant") on 21 August 2012 had filed a claim (the "Claim") in the High Court of Justice of the British Virgin Islands. The Claim is against MSM, Ultra Asset International Limited ("Ultra Asset"), the Company and Guang Cheng Group Limited ("Guang Cheng") which is a wholly-owned subsidiary of the Company (together, the "Defendants"). As it currently stands, MSM is owned as to the majority by Ultra Asset and the Claimant is a minority shareholder. The Company has obtained expressed undertakings from Ultra Asset and MSM, pursuant to which the Group will be indemnified against, among others, all losses in connection with the Claim. Even so, the Company is not able to quantify the consequential impact (if any) of the final outcome of the Claim on the Company at this stage.

References are made to the Company's announcements dated 8 April 2013, 10 April 2013, 2 May 2013 and 20 May 2013 whereby the Company announced that it had been served with an application by the Claimant for an ex-parte injunction hearing to prevent Ultra Asset or MSM from entering into or completing the transactions. However, the injunction application by the Claimant failed and on 20 May 2013, the Company received the formal judgment from the BVI High Court ordering the Claimant to pay the Defendants' cost and refused leave to appeal against the order. Hence, no injunction was granted and the transactions was completed on 7 June 2013. Following the completion of the transactions, the parties are in negotiation for the discontinuance of the legal proceedings by the Claimant against the Company and Guang Cheng. In the meantime, the Defendants will continue to strongly defend themselves in the legal proceedings. Further announcement will be made by the Company as and when appropriate if there is any material development of the Claims.

On 16 July 2008, 山西省昌源焦化集團有限公司 (Shanxi Changyuan Coking Co., Ltd) ("Shanxi Changyuan") filed a claim ("PRC Claim") at 山西省太原市中級人民法院 (the Intermediate People's Court of Taiyuan City of Shanxi Province) ("Intermediate Court") against 古交市屯川煤礦 (Gujiao City Tuenchuan Coal Mine) ("Gujiao Tuenchuan"), which was subsequently reorganised into Bolong under the merger and reorganisation of coal mines in Gujiao City in Shanxi Province, in relation to a management agreement ("Management Agreement") dated 30 December 1999 and entered into between Shanxi Changyuan and Gujiao Tuenchuan pursuant to which Gujiao Tuenchuan agreed to engage Shanxi Changyuan for the management of its coal mines for a term of five years from 1 January 2000 to 31 December 2004. As alleged in the PRC Claim, pursuant to the Management Agreement, Shanxi Changyuan agreed to inject capital by way of a loan to Gujiao Tuenchuan for the operation of its coal mines and an outstanding balance of approximately RMB16.7 million and interest thereon

of approximately RMB842,000 was owed by Gujiao Tuenchuan to Shanxi Changyuan under such loan as at the date of the PRC Claim. On 10 August 2009, Gujiao Tuenchuan counter-claimed that as an accident occurred in its coal mines during the term of the Management Agreement, Shanxi Changyuan breached its obligation to ensure safe production pursuant to the Management Agreement and accordingly Gujiao Tuenchuan was entitled to damages in relation to such breach (“Counter-claim”).

On 22 July 2010, the Intermediate Court issued a judgment in relation to the PRC Claim and the Counter-claim ruling that, among others, (i) an amount of approximately RMB16.7 million shall be payable by Gujiao Tuenchuan to Shanxi Changyuan in relation to the capital injection by Shanxi Changyuan pursuant to the Management Agreement, together with the interest thereon calculated as from 1 January 2005 at the interest rate stipulated by the People’s Bank of China for loans granted during the corresponding period amounting to approximately RMB5.8 million; and (ii) an amount of approximately RMB15.2 million shall be payable by Shanxi Changyuan to Gujiao Tuenchuan as damages in relation to the breach of its obligation to ensure safe production pursuant to the Management Agreement. On 18 August 2010, Shanxi Changyuan appealed to 山西省高級人民法院 (the Higher People’s Court of Shanxi Province) (“High Court”) against the judgment issued by the Intermediate Court in relation to the Counter-claim and on 7 December 2010, Gujiao Tuenchuan filed a defence to such appeal.

On 1 April 2013, the High Court issued a judgment in relation to the appeal ruling that, among others, (i) an amount of approximately RMB16.7 million shall be payable by Gujiao Tuenchuan to Shanxi Changyuan in relation to the capital injection by Shanxi Changyuan pursuant to the Management Agreement, together with the interest thereon calculated as from 1 January 2005 at the interest rate stipulated by the People’s Bank of China for loans granted during the corresponding period amounting to approximately RMB8.4 million; (ii) an amount of approximately RMB12.7 million shall be payable by Shanxi Changyuan to Gujiao Tuenchuan as damages in relation to the breach of its obligation to ensure safe production pursuant to the Management Agreement; and (iii) various court fees of approximately RMB248,879.50 shall be payable by Gujiao Tuenchuan and approximately RMB98,184.50 shall be payable by Shanxi Changyuan.

As per the High Court ruling, there will be no further chance of appeal. The Group is subject to an aggregate payment of approximately RMB25.4 million and a receivable from Shanxi Changyuan of approximately RMB12.7 million.

## **Subsequent Events**

As disclosed in the announcements of the Company dated 11 June 2013, 24 June 2013 and 28 June 2013 (the “June Announcements”), save for completion of the Placing of the remaining portion of the New CBs and PNs to Placee B (as defined in the June Announcements), completion of the Placing to other placees took place on 24 June 2013 in accordance with the terms and conditions of the Placing Agreement (as amended by the supplemental agreements dated 11 June 2013, 24 June 2013 and 28 June 2013 and the extension letters dated 31 December 2012 and 18 March 2013).

On 3 July 2013, the completion of the Placing of the remaining portion of the New CBs and PNs to Placee B took place in accordance with the terms and conditions of the Placing Agreement and all the conditions under the Placing Agreement have been fulfilled. Accordingly, Placing of all the New CBs and PNs has completed.

The net proceeds from the Placing of all the New CBs and PNs (after deducting related expenses) is approximately US\$59,642,000 (equivalent to approximately HK\$465,208,000).

## **OUTLOOK**

The completed acquisition of the Shanxi coal mines has strengthened the Group’s revenue and asset base. At the same time, the disposal of the iron mine and logistics businesses enable the Group to focus its resources on the operation of the coal mines. Through this reorganization, the Company will be able to realize more value from its capital outlays by investing in businesses that are able to generate steadier income streams and have better growth prospects.

## **FINANCIAL REVIEW**

### **Review of Results**

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$40,335,000 (six months ended 30 June 2012: approximately HK\$39,153,000), which represented an increase of approximately 3.02%. For the six months ended 30 June 2013, the gross profit of the Group was approximately HK\$11,926,000 (six months ended 30 June 2012: approximately HK\$6,749,000), which represented an increase of approximately 76.71%. The increase in turnover and gross profit were mainly contributed by mining operation segment and coal operation segment. The increase in turnover of these segments was mainly due to increase in sales of coking coal from mining operation segment and trading of coal from coal operation segment.

The Group recorded a loss of approximately HK\$72,843,000 as compared to a loss of approximately HK\$58,944,000 for the same period last year which represented an increase of approximately 23.58%. The increase in the loss for the current period was mainly attributable to the i) increase in administrative expenses; ii) increase in loss on redemption of convertible loan notes; iii) increase in loss on redemption of promissory notes; and iv) increase in finance costs. The increase in loss will not affect the cash flow and current assets of the Group materially as the substantial part of the loss is non-cash in nature.

Loss per share for the first six months of the year 2013 were HK4.51 cents compared to HK5.14 cents per share for the same period in the year 2012.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Net Debt and gearing**

At 30 June 2013, the Group's gearing ratio, computed as the Group's other borrowings, promissory notes and convertible loan notes over the equity attributable to equity holders of the Group was approximately 4.57 as compared to approximately 1.18 as at 31 December 2012.

As mentioned in the announcement dated on 7 June 2013, Business Ally has converted US\$15 million CB into ordinary shares. The maturity date of the remaining US\$15 million CB has been extended to 6 June 2016.

The increase in the gearing ratio was mainly due to the issuance of the Consideration Bonds amounted to approximately HK\$3,548 million upon the completion of the acquisition transaction on 7 June 2013 and the issuance of New CBs and PNs amounted to US\$23 million on 24 June 2013 respectively.

### **Liquidity**

The Group had total cash and bank balances of approximately HK\$208,962,000 as at 30 June 2013 (31 December 2012: approximately HK\$13,336,000).

The Group's net cash balance as at 30 June 2013 was approximately HK\$208,962,000 (31 December 2012: approximately HK\$13,336,000). As mentioned in the announcement dated on 24 June 2013, the Group has issued the New CBs and PNs, each amounted to US\$23 million. The issuance of such long term debts has increased the net cash balance of the Group and significantly improved the liquidity of the Group.

## **CHARGES ON ASSETS**

As at 30 June 2013, there was no assets of the Group has been pledged.

As at 31 December 2012, all the issued shares of Green Paradise Enterprises Limited (“Green Paradise”), was pledged to the holder of the US\$30M CB. According to the disposal agreement, Green Paradise has ceased to be the subsidiary of the Company after the completion of the transactions on 7 June 2013.

## **TREASURY POLICIES**

The Group generally financed its operations with internally generated resources and equity and/or debt financing activities. All financing methods will be considered so long as such methods are beneficial to the Company. Subsidiaries in the PRC and Mongolia used shareholder funds and internally generated resources to finance their working capital requirements. Bank deposits are in Hong Kong dollars (“HK\$”), Renminbi (“RMB”), Mongolian Tugrik (“MNT”) and the United States dollars (“USD”).

## **CONTINGENT LIABILITIES**

Save for the unquantifiable consequential impact (if any) of the Claim, the Group had no significant contingent liabilities as at 30 June 2013.

## **CAPITAL COMMITMENTS**

As at 30 June 2013, the Group had capital commitments for the acquisition of property, plant and equipment which were contracted but not provided for amounted to approximately HK\$123,378,000 (31 December 2012: nil). As at 30 June 2013, the Group did not have any other capital commitments. As at 31 December 2012, the Group has a capital commitment for an investment in a cooperation project which were contracted but not provided for amounted to approximately HK\$5,772,000.

## **FOREIGN EXCHANGE EXPOSURE**

For the period ended 30 June 2013, the Group mainly earned revenue in RMB and MNT and incurred costs in HK\$, RMB, MNT and USD. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK\$, may have possible impact on the Group’s results and financial positions.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2013, the Group employed approximately 1,115 full time employees in Hong Kong, Mongolia and the PRC. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage and training programs.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the six months ended 30 June 2013, the Company has complied with the code provisions and where appropriate, adopted the recommended best practices as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Listing Rules, save for the deviation from Code provision A.5.

Since 15 March 2011, Mr. Tse Michael Nam, the then Deputy Chairman and the acting Chief Executive Officer, was redesignated as the Chairman of the Company but there was no replacement for the position of the Chief Executive Officer. This constituted a deviation from the Code provision A.2.1 which stipulates that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Since 14 June 2013, Mr. Zhang Sanhuo was appointed as Chairman and Mr. Zhang Xu was appointed as Chief Executive Officer, hence, the Code provision A.2.1 was complied.

The Company did not establish a nomination committee which constitutes a deviation from the Code provision A.5 which stipulates the issuer should establish a nomination committee.



The Board considers that the appointment and removal of directors are the collective decision of the Board. While vacancies on the Board exist, the Board will carry out the selection process by making references to the skill, experience, professional knowledge, personal integrity and time commitments of the proposed candidate, including the independence status if in the case of an independent non-executive director, the Company's needs and other relevant statutory requirements and regulations. The procedures for shareholders to elect a director has been published in the Company's and the Stock Exchange's websites.

On 7 June 2013, Mr. Zhang Sanhuo and Mr. Zhang Xu have been appointed as the Executive Directors and Mr. Zou Chengjian has been appointed as a non-Executive Director respectively. On 14 June 2013, Mr. Zhou Chunsheng has been appointed as an independent non-Executive Director. Save as disclosed above, there were no other new appointments to the Board during the period in review.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made with each of the Directors and all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2013.

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

Hong Kong, 29 August 2013

*As at the date of this announcement, Mr. Zhang Sanhuo, Mr. Zhang Xu and Mr. Tse Michael Nam are the executive Directors, Mr. Zou Chengjian is the non-executive Director and Mr. Lim Yew Kong, John, Mr. Zhou Chunsheng and Mr. Leung Po Wing, Bowen Joseph (GBS, JP) are the independent non-executive Directors.*