NAR
NORTH ASIA RESOURCES
北亞資源

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 2017

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 2017 together with the comparative figures for the corresponding period in 2016. 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 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**269,092**	98,598
Cost of sales and services rendered		**(173,715)**	(77,121)
Gross profit		**95,377**	21,477
Other operating income		**683**	10,802
Gain on disposal of subsidiaries		**41,865**	–
Selling and distribution expenses		**(1,885)**	(1,818)
Administrative and operating expenses		**(73,605)**	(67,017)
Change in fair value of derivative component of convertible loan notes		**18,074**	26,298
Loss on early redemption of convertible loan notes		**–**	(18,270)
Loss on early redemption of promissory notes		**–**	(126)
Impairment loss recognised in respect of mining rights		**(259,490)**	(338,896)
Impairment loss recognised in respect of property, plant and equipment		**(126,257)**	(51,704)
Finance costs	*4*	**(121,121)**	(122,832)
Loss before taxation		**(426,359)**	(542,086)
Income tax credit	*5*	**81,431**	84,601
Loss for the period	*6*	**(344,928)**	(457,485)
Attributable to:			
Owners of the Company		**(116,684)**	(245,253)
Non-controlling interests		**(228,244)**	(212,232)
		(344,928)	(457,485)
Loss per share			
Basic and diluted *(HK cents)*	*8*	**(0.16)**	(0.58)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(344,928)**	(457,485)
Other comprehensive income for the period, net of tax		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**96,902**	(11,146)
Total comprehensive expenses for the period, net of tax	**(248,026)**	(468,631)
Total comprehensive expenses for the period attributable to:		
Owners of the Company	**(79,593)**	(248,693)
Non-controlling interests	**(168,433)**	(219,938)
	(248,026)	(468,631)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,457,796**	1,437,291
Mining rights		**7,890,658**	7,944,075
Deposits paid for acquisition of property, plant and equipment		**53,672**	22,440
		9,402,126	9,403,806
Current assets			
Inventories		**842**	4,676
Trade and other receivables	*9*	**165,547**	195,755
Amount due from a related company		**9**	9
Amount due from a director		**66**	66
Bank balances and cash		**95,413**	36,943
		261,877	237,449
Current liabilities			
Trade and other payables	*10*	**894,291**	875,639
Amounts due to related companies		**361,158**	344,157
Amount due to a non-controlling interest holder		**4,042,649**	3,902,503
Other borrowings		**–**	40,007
Obligation under finance leases		**17,899**	10,199
Derivative component of convertible loan notes		**49,520**	67,594
Income tax liabilities		**7,354**	8,376
		5,372,871	5,248,475
Net current liabilities		**(5,110,994)**	(5,011,026)
Total assets less current liabilities		**4,291,132**	4,392,780

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**729,675**	729,675
Reserves	**(1,652,782)**	(1,583,747)
Equity attributable to owners of the Company	**(923,107)**	(854,072)
Non-controlling interests	**2,767,454**	2,935,887
Total equity	**1,844,347**	2,081,815
Non-current liabilities		
Amount due to a non-controlling interest holder	**169,161**	25,712
Provision for restoration, rehabilitation and environmental costs	**70,576**	66,682
Liabilities component of convertible loan notes	**389,099**	370,998
Obligation under finance leases	**41,563**	52,147
Deferred tax liability	**1,776,386**	1,795,426
	2,446,785	2,310,965
	4,291,132	4,392,780

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 and provision of finance and treasury service to the Group. During the period, the Group were principally involved in system integration services and software solutions, geological survey, exploration and development of coal deposits (mining operation) and sales of coking coal.

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 2017, the Group had net current liabilities of approximately HK$5,110,994,000. The condition indicates the existence of a material uncertainty which may cast significant doubt and the Group incurred a loss of approximately HK$344,928,000 for the six months ended 30 June 2017. 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 2017 after having taken into consideration of the following:

i) as at 30 June 2017, included in the current liabilities of the Group was derivative components of convertible loan notes of approximately HK$49,520,000 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; and

iii) further financing can be obtained by the Group when necessary and internal funds shall be generated from the Group's operations.

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, 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 financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the/other new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

3. TURNOVER AND SEGMENT INFORMATION

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

System integration services and software solutions	–	Provision of information technology products, systems integration, technology service, software development, internet service, software solution engineering and maintenance services
Mining operation	–	Geological survey, exploration and development of coal deposits (mining operation) and selling of coking coal
Coal operation	–	Provision of coal trading and logistics services
Cassava starch operation	–	Provision of cultivation and processing of cassava starch for sale

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

	Systems integration services and software solutions		Mining operation		Coal operation		Cassava starch operation		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
For the six months ended 30 June										
TURNOVER										
Sales to external customers	**49,649**	62,122	**149,610**	36,476	**–**	–	**69,833**	–	**269,092**	98,598
RESULTS										
Segment results	**947**	3,963	**(356,061)**	(410,556)	**(156)**	(62)	**13,500**	–	**(341,770)**	(406,655)
Unallocated income									**42,227**	1,713
Unallocated expenses									**(5,695)**	(14,312)
Finance costs									**(121,121)**	(122,832)
Loss before taxation									**(426,359)**	(542,086)

Segment results represents the profit earned by (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, certain other income and finance costs. This is the measure reported to CODM for the purposes of resources allocation and performance assessment.

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

Segment assets

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Systems integration services and software solutions	**10,591**	40,554
Mining operation	**9,474,314**	9,535,331
Coal operation	**17**	41
Cassava starch operation	**75,097**	27,618
Total segment assets	**9,560,019**	9,603,544
Unallocated	**103,984**	37,711
Consolidated assets	**9,664,003**	9,641,255

Segment liabilities

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Systems integration services and software solutions	**5,191**	45,440
Mining operation	**5,488,415**	5,121,446
Coal operation	**57,548**	54,301
Cassava starch operation	**25,134**	7,309
Total segment liabilities	**5,576,288**	5,228,496
Unallocated	**2,243,368**	2,330,944
Consolidated liabilities	**7,819,656**	7,559,440

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than certain property, plant and equipment, certain prepayments, deposits and other receivables, derivative component of convertible loan notes, bank balances and cash, and assets jointly used by reportable segments.

– all liabilities are allocated to reportable segments other than certain other payables, certain amounts due to related companies, other borrowings, derivative component of convertible loan notes, liabilities component of convertible loan notes, promissory notes, income tax liabilities, deferred tax liability and liabilities jointly liable by reportable segments.

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– effective interest expense on convertible loan notes	**18,102**	61,396
– promissory notes	**–**	5,598
– other borrowings	**1,472**	1,512
– finance lease	**5,943**	–
– amount due to a related company	**243**	–
– amount due to a non-controlling interest holder	**205,132**	172,176
Total borrowing costs	**230,892**	240,682
Less: amounts capitalised in construction in progress	**(111,154)**	(119,846)
Imputed interest for provision for restoration, rehabilitation and environmental costs	**1,383**	1,996
	121,121	122,832

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cambodia Enterprise Income Tax		
– current	**2,729**	–
People's Republic of China (the "PRC") Enterprise Income Tax		
– current	**191**	123
Deferred tax	**(84,351)**	(84,724)
	(81,431)	(84,601)

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "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 are subject to PRC Enterprise Income Tax.

Under the Law of PRC on EIT (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Under the Law of the cambodia, the tax rate of the Cambodia Subsidiaries is 20% for the six months ended 30 June 2017.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Costs of inventories sold	**162,854**	70,922
Depreciation of property, plant and equipment	**18,742**	17,876
Impairment loss recognised in respect of mining rights	**259,490**	338,896
Impairment loss recognised in respect of property, plant and equipment	**126,257**	51,704

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 for the period is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(116,684)**	(245,253)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**72,967,463,002**	42,586,440,330

9. TRADE AND OTHER RECEIVABLES

The Group does not hold any collateral over these balances.

The Group normally grants to its customers credit periods ranging from 30 days to 180 days which are subject to periodic review by management. 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:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**47,511**	17,649
91 days to 180 days	**90**	10,304
181 days to 365 days	**123**	3,211
Over 365 days	**95**	2,274
	47,819	33,438
Bills receivables	**10,191**	–
Prepayments, deposits and other receivables	**107,537**	162,317
Total trade and other receivables	**165,547**	195,755

10. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables		
– third parties	**26,284**	14,653
– a non-controlling interest holder	**325**	325
	26,609	14,978
Receipts in advance	**79,120**	117,114
Accrued staff costs	**30,861**	55,445
Other taxes payable	**2**	3,969
Consideration for the acquisition of subsidiaries	**346,176**	341,759
Payables for construction works and purchase of machineries	**311,566**	290,986
Accrued expenses and other payables	**99,957**	51,388
Total trade and other payables	**894,291**	875,639

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

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Within 90 days	**24,372**	8,093
91 days to 180 days	**912**	1,945
181 days to 365 days	**636**	707
Over 365 days	**689**	4,233
	26,609	14,978

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Since 2016, the Group has been focusing on developing sustainable and easier marketed industries and products, and improving the business of the Group through investing in entity enterprises, producing its own brand products and financial investment service business, established its food and bio-ecological industry chain based on cassava in Cambodia, including production and sale of edible starch, industrial starch. In addition, the Group will continue to extend its products to alcohol and fuel ethanol, gradually shift its development direction and strategy into building a global enterprise featuring green, environmental friendly, recycling and reuse, and sustainability.

The Group has (i) greatly developed deep processing business on recycling and reuse of food and biology based on cassava, thereby expanding and increasing market share of such business in worldwide; (ii) disposed part of system integration and software solution business for a better conducting of the new business; (iii) strived for resumption of the construction works for the five coal mines located in Shanxi Province, the People's Republic of China (the "PRC") which had been suspended by the relevant PRC authorities; and (iv) made fund raising for the operation of business.

Greatly develop deep processing business on recycling and reuse of food and biology based on cassava

The Group has made considerable progress in the development of deep processing business on recycling and reuse of food and biology based on cassava during the first half of 2017. Pursuant to the announcement made on 31 March 2017, the Group has entered into an agreement to obtain the transfer and/or assign of the valid and enforceable contractual rights to process and to be conferred with the certificate of the economic land concession (the "ELC") over the land with an aggregate area of approximately 21,000 hectares (equivalent to approximately 315,000 mu) located at Pursat Province, Kingdom of Cambodia and grant the plantation rights, being exclusively to use, possess and occupy the ELC to carry out plantation and other agro-industrial activities. Meanwhile, in July 2017 the Group has entered into an agreement to further obtain a piece of land (the "Land") with area of 22,000 hectares (equivalent to approximately 330,000 mu) located at Pursat Province, Kingdom of Cambodia (with permanent use right). Upon completion, the Group will be in possession of land with an aggregate area of 43,000 hectares (equivalent to approximately 645,000 mu) in Cambodia. The Group is in progress of applying for the certificates of ELC and the Land and aim to complete by the end of 2017.

During the period, the Group has completed the cultivation of approximately 1,500 hectares (equivalent to approximately 25,000 mu) of cassava as of the end of first half of 2017 and together with the newly planted cassava and that of 2016 amounting to approximately 4,000 hectares (equivalent to approximately 60,000 mu). The fresh cassava can be processed into cassava starch and other cassava by-products through deep processing plants. The Group is in progress of upgrading and expanding the existing cassava starch processing plant capacity and aim to complete installation and commence production in the second half of 2017.

The agricultural and processing sector generated revenue of approximately HK$69,833,000 from the sales of cassava starch in the first half of 2017.

Disposal of Part of System Integration and Software Solution Business

As disclosed in the announcement dated 21 June 2017 (the "Disposal Announcement"), the Group ceased to hold any interest in Topasia Computer Limited as a conditional sale and purchase agreement had been entered in relation to the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser in accordance with the terms of the said agreement. Definitions and terms used herein, unless the context requires otherwise, shall bear the same meanings as defined in the Disposal Announcement.

On 27 June 2017, the Disposal has been completed.

Coal Mining Business

As disclosed in the announcement dated 9 March 2016 and the 2016 Annual Report, the construction and development works of our coal mines in Shanxi Province have been suspended for rectification in order to implement the safety measures for coal mines as stipulated in several notices issued by the competent authorities of Shanxi Province.

Taiyuan Municipal Coal Industry Bureau issued《關於全市煤礦立即停產停建進行整頓的緊急通知》(the "Notice on Immediate Citywide Suspension of Production and Construction of Coal Mines for Rectification", the "Notice") on 23 May 2017, ordering a complete citywide suspension of production and construction of coal mines for rectification from 23 May 2017 to 12 June 2017. As a result, the reconstruction and improvement works of the five coal mines of the Group and their schedule to commence commercial operation had been delayed.

During the period, Fuchang Mine completed the rectification procedures and applied to the competent authorities for inspection on rectification measures. Following the completion of reconstruction and improvement works of Fuchang Mine, the official approval regarding the final acceptance inspection from Taiyuan Municipal Coal Industry Bureau was received in January 2017 and a safety production permit for the mine was issued by Shanxi Coal Mine Safety Supervision Bureau in April 2017. It is expected that the mine will commence commercial operation on or before 31 August 2017. In respect of the other four coal mines of the Group, the relevant authorities are conducting inspection on the rectification measures stipulated in the notices issued in January 2015 and January 2016 respectively, while the implementation of rectification measures stipulated in the notice issued in May 2016 is underway. The Group will apply for inspection on the required rectification measures upon completion of rectification measures stated in the aforesaid notice. The application for resumption of construction and development works of these coal mines will be submitted by the Group after final acceptance inspections by the competent authorities.

Due to the uncertainty on timing of completion of rectification measures and inspection on rectification measures by relevant authorities for mines with exception of Fuchang Mine, under the best estimation of the management of the Group, the schedule of the respective mines are set out below:

	Expected completion date of the reconstruction and improvement works	**Expected date of the commencement of commercial operation**
Liaoyuen Mine	31 October 2017	31 December 2017
Jinxin Mine	31 October 2017	31 December 2017
Xinfeng Mine	30 November 2017	31 January 2018
Bolong Mine	30 November 2017	31 January 2018
Fuchang Mine	Completed	31 August 2017

The Board will continue to use its best endeavours to satisfy the conditions set forth by the relevant PRC authorities with an aim to resuming the construction and development work of the Group's mining sites located in Shanxi Province as soon as possible. We will keep Shareholders updated for the development as and when appropriate.

For the details of historical development activities of our five mines and their latest status, please refer to the announcement dated 3 February 2017 and the 2016 Annual Report.

Fund raising for the operation of business

During the period, the Group's fund raising activity for the operation of business is primarily to arrange for the issuance of US$50,000,000 Convertible Bonds. For details, please refer to the section headed "FINANCIAL REVIEW – FUND RAISING ACTIVITY – ISSUANCE OF CONVERTIBLE BONDS".

OUTLOOK

The Group made notable progress in business and corporate developments, following shift into development section related to green ecology industry with focus on production and process of biology and food product starch, modified biology based on cassava, and its extended industry chain during 2017. In view of the transformation of the Group's business focus and direction, the Group has proposed to change the Company's new name, "Green Leader Holdings Group Limited", to signifies the Group's vision for long-term growth and profitability in the agro-related development sector based on a socially and environmentally sustainable path.

To further extend the development business plan related to modern agriculture, the Group have come to develop operational module system, of which each operational module shall be aligned with standardized deep processing plants based on the number of cultivated products. This is a recycled and sustainable production chain model, which will be highly standardized, modernized and integrated. Standardized management will facilitate the replication of future modules through operational module system.

The combo of operational module system can provide a seamless integration to cultivate and produce industrialized products through modularized land, mechanized and standardized management, processing plants at site and industrial production recycling. Raw material and processing plants can minimize transportation cost and waste in resources utilization.

Cassava will be the main crop cultivation in each operational module. After deep processing, cassava, as the main raw material, can produce cassava related by products such as starch, modified starch, alcohol biofuel (ethanol), carbon dioxide, biomass pellet, organic edible mushroom, organic fertilizer and organic feeds. To the best of the knowledge of the management, all products are in huge demand to the targeted off-takers in both local and worldwide markets, which can bring lucrative and steady income streams for the Group.

Looking ahead, the Group will continue to aggressively seek for suitable lands for cultivation of cassava in order to secure supply of raw material, and continue to construct biological recycling industry chain of biological starch, alcohol, fuel ethanol, biological pellet fuel and organic edible mushroom based on cassava.

The Group will continue monitoring the progress of the resumption of construction work of the coal mines in Shanxi Province, the PRC, in order to meet the expected timetable.

The Board and the management will continue the expansion plans and seek for potential project opportunities in order to enhance the value of the Group and to create values for all shareholders.

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2017, the Group recorded a revenue of approximately HK$269,092,000 (six months ended 30 June 2016: HK$98,598,000) which represented an increase of approximately 173%. Due to the increase in sales of coking coal and cassava starch, the revenues of mining segment and cassava starch segment were significantly increased to approximately HK$149,610,000 (six months ended 30 June 2016: HK$36,476,000) and approximately HK$69,833,000 (six months ended 30 June 2016: Nil) respectively.

For the six months ended 30 June 2017, the Group recorded gross profit of approximately HK$95,377,000 (six months ended 30 June 2016: approximately HK$21,477,000), mainly caused by a combined effect of higher revenue and higher GP ratio.

The Group recorded a loss attributable to owners of the Company (the "Loss") of approximately HK$116,684,000 for the six months ended 30 June 2017 (the "2017 Interim") as compared to a loss of approximately HK$245,253,000 for the six months ended 30 June 2016 (the "2016 Interim"). The decrease in the Loss for the 2017 Interim as compared to the 2016 Interim was mainly attributable to the combined effects of the following factors:

(1) the recorded significant increase in revenue during the 2017 Interim, mainly from the mining operation and the new business in cassava starch operation;

(2) the recorded net decrease in impairment loss in respect of mining rights and property, plant and equipment for the 2017 Interim;

(3) a gain on the disposal of the entire issued share capital of an indirect wholly-owned subsidiary of the Company (Topasia Computer Limited) for the 2017 Interim, details of which were disclosed in the Company's announcement dated 21 June 2017; and

(4) the decrease in finance costs for the 2017 Interim as compared to those for the 2016 Interim.

The decrease in fair value of mining operation for 2017 Interim was mainly due to the expected increase in coal price. Greater China Appraisal Limited, an independent qualified professional valuer, estimated the fair value of the coal mining business based on income approach using a discount rate of 15.79% (31 December 2016: 14.98%) and expected coal price of RMB710 per tonne (31 December 2016: RMB700 per tonne) based on information obtained from Shanxi. The major reason for the increase in the coal price was due to the volatility of business cycle on coal market in the PRC. The impairment loss recorded for the period ended 30 June 2016 was mainly due to the reduction in allowable annual working days from 330 days to 276 days. This update was made based on 《關於全省煤礦依法合規嚴格按照新確定生產能力組織生產的通知》(Notification of the Strict Compliance with New Production Capacity for Coal Mines in Shanxi Province) issued by Shanxi Coal Industry Office on 5 April 2016.

The operation of our five mines of the Group were further delayed due to the notice request of rectification measures issued by the related authorities in May 2017. Please refer to Business Review section for details.

Greater China Appraisal Limited, an independent qualified professional valuer, has consistently applied the income approach for the valuation of the Lexing Group as at 31 December 2015, 30 June 2016, 31 December 2016 and 30 June 2017 (the "Reporting Periods"). The key assumptions and parameters in the valuation of Lexing Group as at the Reporting Periods are set out as below:

	Reporting Periods			
	30 June 2017	31 December 2016	30 June 2016	31 December 2015
Methodology	**Income Approach**	Income Approach	Income Approach	Income Approach
Key Assumptions				
1. Production Schedule – Operation Starting Date				
Bolong Mine	**First quarter of 2018**	Fourth quarter of 2017	Second quarter of 2017	Second quarter of 2017
Fuchang Mine	**Third quarter of 2017**	Second quarter of 2017	Second quarter of 2017	Second quarter of 2017
Jinxin Mine	**Fourth quarter of 2017**	Fourth quarter of 2017	Second quarter of 2017	Second quarter of 2017
Liaoyuan Mine	**Fourth quarter of 2017**	Fourth quarter of 2017	Second quarter of 2017	Second quarter of 2017
Xinfeng Mine	**First quarter of 2018**	First quarter of 2018	Third quarter of 2017	Third quarter of 2017
2. Coal Price (per tonne)	**RMB710**	RMB700	RMB700	RMB680
3. Discount Rate (Post-tax)	**15.79%**	14.98%	15.37%	15.84%
4. Mine Operating Costs	**Mainly based on Technical Report issued by JT Boyd in 2017 except that 礦山環境恢復治理保證金 and 煤礦轉產發展基金 were assumed to be suspended in 2017, but not cancelled permanently.**	Based on Technical Report issued by JT Boyd in 2017	Based on Technical Report issued by JT Boyd in 2012	Based on Technical Report issued by JT Boyd in 2012
5. Capital Expenditures	**Based on Technical Report issued by JT Boyd in 2017**	Based on Technical Report issued by JT Boyd in 2017	Based on Technical Report issued by JT Boyd in 2012	Based on Technical Report issued by JT Boyd in 2012
6. Allowable annual working days	**276 days**	276 days	276 days	330 days
7. Production schedule – Annual Production	**Based on Technical Report issued by JT Boyd in 2017**	Based on Technical Report issued by JT Boyd in 2017	Based on Technical Report issued by JT Boyd in 2012	Based on Technical Report issued by JT Boyd in 2012

The decrease in fair value of derivative component of convertible loan notes for the six months ended 30 June 2017 was approximately HK$18,074,000. The administrative and operating expenses for the six months ended 30 June 2017 was approximately HK$73,605,000 (six months ended 30 June 2016: HK$67,017,000) which represented an increase of approximately HK$6,588,000 or 10%, mainly due to the new business in cassava starch operation. The finance costs for the six months ended 30 June 2017 was approximately HK$121,121,000 (six months ended 30 June 2016: 122,832,000), the decrease of which was mainly due to decrease in interest expenses on convertible loan notes and promissory notes after the redemption of 2013 Convertible Loan Note B, Promissory Note B, and Promissory Note C in March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Total Equity

As at 30 June 2017, the Group recorded total assets of approximately HK$9,664,003,000 (31 December 2016: HK$9,641,255,000), which were financed by total liabilities of approximately HK$7,819,656,000 (31 December 2016: HK$7,559,440,000) and total equity of approximately HK$1,844,347,000 (31 Decmeber 2016: HK$2,081,815,000).

Gearing

As at 30 June 2017, the Group's gearing ratio as computed as the Group's other borrowings, promissory notes, liabilities component of convertible loan notes and obligation under finance lease over total equity was approximately 24% (31 December 2016: 23%).

Liquidity

The Group had total cash and bank balances of approximately HK$95,413,000 as at 30 June 2017 (31 December 2016: HK$36,943,000). The Group did not have any bank borrowings for both years.

FUND RAISING ACTIVITY – ISSUANCE OF CONVERTIBLE BONDS

As disclosed in the announcement dated 27 June 2017, the Group has entered into a conditional subscription agreement with China Huarong Macau (HK) Investment Holdings Limited, of which the Subscriber has conditionally agreed to subscribe for and the Group has conditionally agreed to issue US$50,000,000 Convertible Bonds in 3 years with an interest of 6.5% per annum. Based on the initial conversion price of HK$0.0327 per conversion share, a maximum of 11,926,605,505 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The Group intends to use approximately US$35,000,000 for the development of cassava as raw material and production of starch, biofuel (ethanol) and their recycle by-products and use the remaining of approximately US$15,000,000 for general working capital purposes.

The abovesaid transaction has been completed on 10 July 2017.

CHARGE ON ASSETS

The share charge created over entire issued shares of Topasia had been released and Topasia had been disposed on 27 June 2017. For details, please refer to the announcement of the Company dated 13 July 2015 and 21 June 2017.

Share charges of entire issued share capital of several subsidiaries of the Company, charges over the shares and the convertible bonds of the Company owned by China OEPC Limited, charge on accounts receivables to be owed to the Company and land charges over certain lands in Cambodia acquired or to be acquired by the Group have been created for securing the US$50,000,000 Convertible Bonds. For details, please refer to the announcement of the Company dated 27 June 2017.

TREASURY POLICIES

The Group generally financed its operations with internally generated resources and funds from equity and/or debt financing activities. All financing methods will be considered so long as such methods are beneficial to the Company. Bank deposits are in Hong Kong dollars ("HK$"), Renminbi ("RMB") and the United States dollars ("US$").

CONTINGENT LIABILITY AND CAPITAL COMMITMENTS

The Group had no material contingent liability as at 30 June 2017 and as at 31 December 2016.

The Group had capital commitments for the acquisition of property, plant and equipment which were contracted but not provided for as at 30 June 2017 of approximately HK$284,769,000 (31 December 2016:HK$313,879,000).

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2017, the Group earned revenue in RMB and US$ and incurred costs in HK$, RMB and US$. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK$, may have possible impact on the Group's results and financial positions.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed approximately 579 full time employees in Hong Kong, Cambodia 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 and share option scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company has complied with the code provisions and where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code under Appendix 14 of the Listing Rules.

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 2017.

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

Hong Kong, 21 August 2017

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