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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of North Asia Resources Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	5	**129,737**	86,147
Cost of sales and services rendered		**(107,233)**	(67,460)
Gross profit		**22,504**	18,687
Other operating income	5	**1,254**	1,681
Selling and distribution expenses		**(3,354)**	(7,652)
Administrative and operating expenses		**(201,241)**	(53,196)
Change in fair value of derivative component of convertible loan notes		**218,714**	4,469
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		**(49,521)**	–
Impairment loss recognised in respect of goodwill		**(3,661,555)**	–
Impairment loss recognised in respect of mining rights		**(228,439)**	–
Impairment loss recognised in respect of property, plant and equipment		**(21,172)**	–
Net gain on disposal of subsidiaries		**60,783**	–
Finance costs	6	**(263,877)**	(56,915)
Loss before taxation	7	**(4,203,178)**	(114,044)
Income tax credit (expenses)	8	**56,980**	(320)
Loss for the year		**(4,146,198)**	(114,364)
Attributable to:			
Owners of the Company		**(3,947,960)**	(113,732)
Non-controlling interests		**(198,238)**	(632)
		(4,146,198)	(114,364)
Loss per share	9		
Basic and diluted (HK$)		**(1.834)**	(0.099)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(4,146,198)**	(114,364)
Other comprehensive income (expenses) for the year, net of tax		
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	**117**	(291)
Other comprehensive income (expenses) for the year, net of tax	**321**	(291)
Total comprehensive expenses for the year, net of tax	**(4,145,877)**	(114,655)
Total comprehensive expenses attributable to:		
Owners of the Company	**(3,947,639)**	(114,023)
Non-controlling interests	**(198,238)**	(632)
	(4,145,877)	(114,655)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment		**1,006,409**	103,041
Mining rights		**11,772,162**	441,214
Goodwill		**–**	–
Deposits paid for acquisition of property, plant and equipment		**48,220**	–
Deposit for acquisition of a subsidiary		**–**	23,088
		12,826,791	567,343
Current assets			
Inventories		**1,291**	7,188
Trade and other receivables	*10*	**168,109**	61,092
Amount due from a related company		**9**	–
Amounts due from non-controlling interest holders		**–**	273
Amount due from a director		**63**	187
Derivative component of convertible loan notes		**16,678**	–
Bank balances and cash		**88,941**	13,336
		275,091	82,076
Current liabilities			
Trade and other payables	*11*	**710,131**	58,824
Payables for mineral resources compensation fees		**142,168**	–
Amounts due to related companies		**434,057**	–
Amount due to a non-controlling interest holder		**246,914**	306
Amount due to a director		**–**	138
Other borrowings		**37,755**	–
Derivative component of convertible loan notes		**1,485,672**	–
Liabilities component of convertible loan notes		**–**	293,925
Income tax liabilities		**7,015**	6,713
		3,063,712	359,906
Net current liabilities		**(2,788,621)**	(277,830)
Total assets less current liabilities		**10,038,170**	289,513

	2013	2012
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**28,970**	11,948
Convertible preference shares	**21,071**	20,365
Reserves	**(3,262,709)**	216,446
Equity attributable to owners of the Company	**(3,212,668)**	248,759
Non-controlling interests	**4,900,904**	(2)
Total equity	**1,688,236**	248,757
Non-current liabilities		
Amount due to a non-controlling interest holder	**2,598,765**	–
Provision for restoration, rehabilitation and environmental costs	**62,330**	–
Promissory notes	**275,416**	–
Liabilities component of convertible loan notes	**2,686,701**	–
Deferred tax liability	**2,726,722**	40,756
	8,349,934	40,756
	10,038,170	289,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 addresses of the registered office and principal place of business of the Company are Units 2001-2, 20/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

During the year, the functional currency of the Company changed from United States dollar to Renminbi (“RMB”) since the completion of acquisition of certain major subsidiaries which are operating in the People’s Republic of China (the “PRC”), since then, substantial of the Group’s revenue and expenditure are in RMB.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in Hong Kong dollar (“HK$”).

The principal activity of the Company is investment holding. During the year, the Group were principally involved in the distribution of information technology products, geological survey, exploration and development of coal deposits (mining operation) and sales of coking coal.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2013, the Group had net current liabilities of approximately HK$2,788,621,000. 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 31 December 2013 as the directors had taken into consideration of the following facts and circumstances:

(i) as at 31 December 2013, included in the current liabilities of the Group was derivative component of convertible loan notes of approximately HK$1,485,672,000 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 component of convertible loan notes shall not result in any cash outflow for the Group;

(ii) the related companies will not demand 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, has granted an additional unutilised loan facility to the Shanxi Coal amounted to approximately HK$1,728,395,000 based on a lending facility letter entered into between Shanxi Coal and Shanxi Coal Transportation and Sales Group Co., Ltd. in March 2014.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements 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 consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

* IFRIC represents the International Financial Reporting Interpretation Committee.

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the 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 items of other comprehensive income to be 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements. HKFRS 11 is not applicable to the Group as the Group does not have any joint arrangements.

HKFRS 10 Consolidated Financial Statements

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. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over investee is relevant to the Group.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HK(IFRIC)–Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)–Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (i.e. production stripping costs). Under the interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (i.e. stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC)–Int 20 has been applied retrospectively. The application of HK(IFRIC)–Int 20 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal; and

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC) – Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC) – Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospectively application. In the opinion of the directors of the Company, the application of HK(IFRIC) – Int 21 will not have material impact in the Group.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Board (being the chief operating decision maker ("CODM")) for the purpose 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 deposits (mining operation), and selling of coking coal
Coal operation	–	Provision of coal trading and logistics services

The management of the Group monitors the operating results of its business units separately for the purposes of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss which in certain respects, as explained in the table below, is measured differently from the operating profit or loss in the consolidated statement of profit or loss. The Company's financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to the operating segments.

For the purposes of monitoring segment performance and allocating resources between segments, the CODM also reviews the segment assets and segment liabilities.

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*
For the year ended 31 December								
TURNOVER								
Sales to external customers	**79,428**	63,771	**9,794**	–	**40,515**	22,376	**129,737**	86,147
RESULTS								
Segment loss	**(1,143)**	(131)	**(4,046,641)**	(18,595)	**(6,140)**	(2,436)	**(4,053,924)**	(21,162)
Unallocated income							**294,703**	5,000
Unallocated expenses							**(180,080)**	(40,967)
Finance costs							**(263,877)**	(56,915)
Loss before taxation							**(4,203,178)**	(114,044)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. 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 and loss on redemption of promissory notes, interest income and finance costs. This is the measure reported to CODM for the purposes of resource 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

	2013	2012
	HK$'000	*HK$'000*
Banking and finance systems integration services and software solutions	**26,575**	45,219
Mining operation	**12,951,233**	567,257
Coal operation	**15,182**	15,547
Total segment assets	**12,992,990**	628,023
Unallocated	**108,892**	21,396
Consolidated assets	**13,101,882**	649,419

Segment liabilities

	2013	2012
	HK$'000	*HK$'000*
Banking and finance systems integration services and software solutions	**33,827**	41,220
Mining operation	**3,919,769**	2,136
Coal operation	**232,205**	994
Total segment liabilities	**4,185,801**	44,350
Unallocated	**7,227,845**	356,312
Consolidated liabilities	**11,413,646**	400,662

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

– all assets are allocated to reportable segments other than amounts due from non-controlling interest holders, amount due from a director, 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 amount due to a director, 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.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers is presented based on the location of the operation. Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	Hong Kong		Elsewhere in the PRC		Mongolia		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**–**	–	**129,080**	76,147	**657**	10,000	**129,737**	86,147
Non-current assets (Note)	**44**	482	**12,826,747**	715	**–**	566,146	**12,826,791**	567,343

Note: Non-current assets exclude financial instruments.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2013	2012
	HK$'000	*HK$'000*
Sale of automatic teller machines	**59,736**	43,358
Sale of coal	**39,858**	12,375
Sale of mining products	**9,794**	–
Provision of logistics services	**657**	10,000
Rendering of computer technology services	**19,692**	20,414
	129,737	86,147

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**13,933**	13,761
Customer B[2]	**N/A**[3]	12,375

[1] Revenue from banking and finance systems integration services and software solutions

[2] Revenue from coal operation

[3] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

5. TURNOVER AND OTHER OPERATING INCOME

Turnover represents invoiced value of goods sold and services rendered, net of discounts allowed and sales taxes where applicable. Revenues recognised during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**109,387**	55,733
Rendering of services	**20,350**	30,414
	129,737	86,147
Other operating income		
Interest income	**379**	531
Reversal of impairment loss recognised in respect of trade receivables	**140**	353
Finance lease interest income	**–**	27
Sundry income	**288**	321
Government grant (Note)	**447**	449
	1,254	1,681

Note: Pursuant to the notices issued by the relevant government authorities, certain PRC subsidiaries of the Company were entitled to enjoy subsidies for provision of specialised information technology services. There is no further condition that the Group is required to fulfill.

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
– effective interest expenses on convertible loan notes	**180,778**	56,073
– promissory notes	**17,909**	–
– other borrowings	**1,490**	842
– amount due to a non-controlling interest holder	**127,523**	–
Total borrowing costs	**327,700**	56,915
Less: amounts capitalised in construction in progress	**(66,057)**	**–**
Imputed interest for provision for restoration, rehabilitation and environmental costs	**2,234**	–
	263,877	56,915

7. LOSS BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**2,971**	1,652
Cost of inventories sold	**96,321**	47,889
Depreciation charged to the consolidated statement of profit or loss	**28,876**	13,784
Directors' and chief executive's emoluments	**4,285**	5,228
Exchange loss	**1,443**	1,069
Impairment loss recognised in respect of trade receivables	**283**	1,140
Write off of other receivables	**–**	127
Loss on disposal of property, plant and equipment	**632**	838
Payments under operating leases in respect of land and buildings	**7,381**	4,303
Staff costs (excluding directors' and chief executive's emoluments)	**90,397**	21,629

8. INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
PRC Enterprise Income Tax (the "EIT")		
– current	**117**	69
– under-provision in previous years	**13**	105
Mongolia Economic Entity Income Tax (the "EEIT")		
– current	**–**	111
– under-provision in previous years	**–**	35
	130	320
Deferred tax	**(57,110)**	–
Income tax (credit) expenses	**(56,980)**	320

(i) 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.

(ii) 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 years.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT.

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

(iv) Profits of the subsidiaries established in Mongolia are subject to Mongolia EEIT.

Under the Law of Mongolia on EEIT (the "EEIT Law"), the tax rate of the Mongolian subsidiaries was 10% for both years.

9. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(3,947,960)**	(113,732)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,152,917,616**	1,150,737,334

The computation of diluted loss per share does not assume the conversion of the convertible loan notes and the conversion of convertible preference shares since their exercise would result in a decrease in loss per share.

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the exercise price of the share options was higher than the average market price for shares for the year ended 31 December 2012.

The basic and diluted loss per share are the same.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**57,884**	52,922
Less: Impairment losses recognised	**(13,211)**	(13,068)
	44,673	39,854

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 the 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:

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**31,471**	28,350
91 days to 180 days	**5,009**	4,095
181 days to 365 days	**2,523**	1,981
Over 365 days	**5,670**	5,428
	44,673	39,854

11. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables		
– third parties	**14,521**	2,406
– a non-controlling interest holder	**325**	325
	14,846	2,731

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**1,155**	790
91 days to 180 days	**8,757**	387
181 days to 365 days	**3,491**	7
Over 365 days	**1,443**	1,547
	14,846	2,731

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.

12. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments under operating leases

The Group as lessee

The Group leases certain of its office premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for a term ranging from two months to three years and rentals are fixed.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**3,490**	2,562
In the second to fifth year inclusive	**1,899**	632
	5,389	3,194

(b) Other capital commitments

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for in respect of:		
– investment in a cooperation project	**–**	5,772
– acquisition of property, plant and equipment	**368,370**	–
	368,370	5,772

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1[#] to the consolidated financial statements which indicates that the Group had net current liabilities of approximately HK$2,788,621,000 as at 31 December 2013 and the Group incurred loss of approximately HK$4,146,198,000 for the year ended 31 December 2013. The Group's ability to continue as a going concern is dependent on the on-going availability of finance to the Group, including advances amounting to HK$2,845,679,000 as at 31 December and an additional unutilised loan facility amount to HK$1,728,395,000 provided by the non-controlling shareholder of a subsidiary. If adequate finance is not available, the Group may be unable to meet its obligations as and when they fall due in foreseeable future. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$129,737,000 (2012: approximately HK$86,147,000), which represented an increase of approximately 50.6%. Turnover for all segments in 2013 increased over last year. The increase in the turnover of the coal mining segment was due to the sale of coking coal by the coal mines which were acquired by the Group during the first half of the year 2013. The increase in the turnover from the banking and finance system integration services and software solutions segment was mainly due to increase in sale of automatic teller machines. There was no sale of coking coal during the year 2012.

For the year ended 31 December 2013, the Group recorded a gross profit of approximately HK$22,504,000 (2012: approximately HK$18,687,000), which represented an increase of approximately 20.4%. The increase in gross profit was mainly contributed by the coal mining as there was sales of coking coal during the year 2013 which offset the effect of the decrease in gross profit in the banking and finance system integration services and software solutions segment. Further analysis of the banking and finance system integration services and software solutions business can be found in the "Business Review" section of this Report.

The Group recorded a loss of approximately HK$3,947,960,000 as compared to a loss of approximately HK$113,732,000 last year, which amounted to an increase of approximately HK$3,834,228,000. The increase in loss for the year 2013 was mainly attributable to the impairment loss recognised in respect of goodwill and mining rights, increases in administrative and operating expenses and finance costs. The significant impairment loss recognised in respect of goodwill and mining rights was arising from the coal mining business acquired on 7 June 2013.

[#] *Being Note 2 in this final result announcement.*

The administrative and operating expenses for the year 2013 was approximately HK$201,241,000 (2012: 53,196,000) which represented an increase of 278.3% when compared with the year 2012. The increase was mainly attributable to the increase in staff cost due to the acquisition of the coal mining business on 7 June 2013.

The finance cost for the year 2013 was approximately HK$263,877,000 (2012: HK$56,915,000) which represented an increase of 363.6% when compared with the year 2012. The increase was mainly attributable to the issue of New CBs and PNs (as defined below) issued by the Company, each in principal amount of US$30 million during the year under review. Also, additional loan interests were incurred arising from the amount due to Shanxi Coal Transportation and Sales Group Co., Ltd. ("Shanxi Coal Transportation") were incurred for the coal mining business.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: nil).

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 (the "Acquisition"); the disposal of its iron mining, coal trading and logistics businesses; and the restructuring of its existing financial obligations with Business Ally Investments Limited. The Acquisition, disposal and restructuring were completed on 7 June 2013. Full details of the Acquisition, disposal and the restructuring had been 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 2012, the Company entered into a 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 was 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 has become an indirect wholly-owned subsidiary 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 People's Republic of China ("PRC"). According to the Competent Person's Report issued by John T. Boyd Company, as at 21 November 2012, the mines have an aggregate 87.85 million tonnes resources and 46.59 million tonnes recoverable reserves under the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy ("JORC").

According to announcement made by the Company dated 16 October 2013, on 28 September 2013, there was an accident (the "Accident") occurred in a coal mine (the "Accident Mine") in Fenyang Municipality, Shanxi Province, the PRC. To the best of the Directors' knowledge and information, ten workers were passed away in that Accident. The Group has no relationship with the Accident Mine and the Group has no interests in the Accident Mine. Subsequent to the occurrence of the Accident, on or about 15 October 2013, the Group had received official notifications from 山西省煤炭工業廳 (Shanxi Provincial Coal Industry Office*) and 古交市煤炭工業局 (Gujiao Municipality Coal Industry Bureau*), pursuant to which the construction and development works of all mining sites under construction which are located in Shanxi Province, the PRC would be suspended and the construction work of such mining sites would be resumed upon the successful examination and checking of the various safety measures adopted at such mining sites including but not limited to the geological conditions, ventilation, sequence of construction, site condition and construction team management.

Subsequent to the notifications issued by 山西省煤炭工業廳 (Shanxi Provincial Coal Industry Office*) and 古交市煤炭工業局 (Gujiao Municipality Coal Industry Bureau*) as disclosed in the announcement made by the Company dated 10 January 2014, 山西省太原市人民政府辦公廳 (Shanxi Provincial Taiyuan People's Government Office*) had issued a notification to the relevant local authorities and units in relation to the proposed implementation of rectification scheme for coal mines including the taking of necessary measures on the hydrological and geological conditions, ventilation and gas management, site conditions, sequence of construction and construction team management. According to the document, the local coal industry bureaus shall conduct inspections of the relevant mining sites and shall supervise the mining sites to carry out the rectification. The relevant coal industry bureaus had issued notifications to the Group in relation to, among others, rectification of the Group's mining sites located in Shanxi Province accordingly. According to such notifications, the Group shall, within 15 to 45 working days after approval of the rectification plan for each mining sites by the relevant local coal industry bureau, carry out and implement the rectification measures including but not limited to the hydrological and geological conditions, ventilation and gas management, site conditions and sequence of construction.

* *For identification purpose only*

After implementation of the rectification measures and inspection of the implementation of the rectification measures by the relevant authorities, the Group shall be entitled to apply to the relevant authorities to resume the construction and development works of the Group's mining sites located in Shanxi Province. The Group has already established specific project teams which are responsible for the rectification planning and the implementation of the rectification measures. The relevant rectification plans for all the mining sites located in Shanxi Province have been duly submitted to the relevant local coal industry bureaus and the plans are pending approval from each of the relevant coal industry bureaus. After implementation of the rectification measures and inspection of the implementation of the rectification measures by the relevant authorities, the Group will apply to the relevant authorities to resume the construction and development works of the Group's mining sites located in Shanxi Province.

Given the uncertainties as stated above, based on the best estimation by the management of the Group, the schedule of the improvement works and operation of the respective mines are set out below:

	Expected completion date of the reconstruction and improvement works	**Expected date of commencement of commercial operation**
Liaoyuan Mine	30 June 2014	1 November 2014
Jinxin Mine	Completed	15 August 2014
Xinfeng Mine	31 July 2014	1 December 2014
Bolong Mine	31 July 2014	1 January 2015
Fuchang Mine	Completed	31 July 2014

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

The summary of expenditure incurred for the year ended 31 December 2013 for the mine development and improvement works are set out below:

	HK$ in million
Liaoyuan Mine	41.4
Jinxin Mine	18.5
Xinfeng Mine	34.9
Bolong Mine	58.7
Fuchang Mine	17.8

Resources and reserves of mines

The mines and projects owned by the Group have significant coal reserves and resources under the JORC. According to the Competent Person's Report from John T. Boyd Company disclosed in the circular of the Company dated 25 March 2013, as of 21 November 2012, the total aggregate proved and probable recoverable reserves of coal in Liaoyuan mine was approximately 7.91 Mt, the total aggregate proved and probable recoverable reserves of coal in Jinxin mine was approximately 3.55 Mt, the total aggregate proved and probable recoverable reserves of coal in Xinfeng mine was approximately 7.41 Mt, the total aggregate proved and probable recoverable reserves of coal in Bolong mine was approximately 22.04 Mt and the total aggregate proved and probable recoverable reserves of coal in Fuchang mine was approximately 5.68 Mt.

The Group estimated resources and reserves as of 31 December 2013 were the same as that as at 21 November 2012 because the commercial operation of all five mines had not been commenced.

JORC Mineral Resources and Reserves as of 21 November 2012 and 31 December 2013:

	In-Place Resources (Mt)				**Recoverable Reserves (Mt)**		
Mine	**Measured**	**Indicated**	**Inferred**	**Total**	**Proved**	**Probably**	**Total**
Liaoyuan	8.97	6.52	2.53	18.02	4.42	3.49	7.91
Jinxin	1.97	4.92	0.45	7.34	1.11	2.44	3.55
Xinfeng	6.39	6.59	–	12.98	4.09	3.32	7.41
Bolong	19.17	19.93	–	39.10	11.45	10.59	22.04
Fuchang	8.10	2.31	–	10.41	4.62	1.06	5.68
Total	44.60	40.27	2.98	87.85	25.69	20.90	46.59

Banking and finance systems integration services business

In the year 2013, the PRC economic slowdown caused many difficulties to our banking and financial systems integration services business, including shortage of funds and increased operating costs.

There was strong competition in the traditional ATM market causing prices to fall. Furthermore, demand for traditional ATMs with only withdrawal functions have also fallen. In contrast, the demand for new integrated ATMs with integrated withdrawal and deposit functions are becoming main stream in PRC banks. In 2013, we also started promoting two Japanese brands to certain PRC banks and have received a number of orders.

ATM maintenance fees kept falling, which put pressure on our gross margin. We managed to maintain and increase our volume of orders by controlling costs and focusing on providing quality service.

During the year, we also began cooperation with US manufacturers of postage machines, providing installation and maintenance services to certain PRC post offices.

We expect the worldwide economy and business environment in 2014 will be difficult. We will continue to take measures to control costs, increase sales, improve service quality, and hope to change losses into profit.

We will rely on our existing wide maintenance network and strong relationship with clients to continue our maintenance service of integrated ATMs while increasing our number of services for other brands and models, and strive to increase the number of orders.

As integrated ATMs have become a main stream product, our company will continue to heavily promote it to clients to upgrade from traditional ATMs to integrated ATMs and also to new clients to increase sales. In additions, we will continue to cooperate with Security Products manufacturers, to provide complete solutions for securities, insurance and foreign exchange companies.

In the year of 2014, we will keep enhancing our internal control, strive to control costs, streamline staffing and strictly control expenses. At the same time, we will endeavor to improve our systems, strengthen coordination, standardize company operations and increase efficiency so as to cope with the challenges we are facing.

Gold mining

Dadizi Yuan LLC*, a wholly-owned subsidiary of the Group, holds mining and exploration licenses in respect of two alluvial gold mines located in Khar Yamaat, Khongor and Sharin Gol Soum of Darkhan Uul aimag, Mongolia.

As reported in our 2012 Annual Report, the gold mining at Khar Yammat site was suspended since the end of 2010 due to the severe inclement winter conditions. Political uncertainties surrounding the Mongolian elections and the aftermath have extended the suspension of operation during the year under review. As the business still in the early stages, there are a lot of uncertainties involved in the development and require further investment of capital. As a result, the Group had disposed of the gold business on 23 October 2013 in order to better utilize the resources of the Group on the coal mining business.

Coal trading and logistics

The coal trading and logistics businesses of the Group are carried out by Good Loyal Group Limited ("GLG") through its subsidiary, Global Link Logistics LLC ("GLL") and a subsidiary of North Asia Resources Group Limited ("NARG"), NAR Gold Fox Group Limited ("NAR Gold Fox"). The logistics operation at the Gants Mod border crossing is operated through GLL while the coal trading business at Ceke border crossing is operated through NAR Gold Fox. The entire issued share capital of GLG and NARG were disposed on 7 June 2013.

Updates to legal proceedings

As detailed in the Company's announcements each dated 27 August 2012 and 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 Mountain Sky Resources (Mongolia) Limited ("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"). At that time, MSM is owned as to the majority by Ultra Asset and the Claimant is a minority shareholder. Please refer to the announcement of the Company dated 27 August 2012 for further details of the Proceedings.

* *For identification purpose only*

As disclosed in the announcement made by the Company dated 2 October 2013, the Claimant and the Defendants entered into a deed of settlement (the "Deed of Settlement") in full and final settlement of the Proceedings. Pursuant to the terms of the Deed of Settlement, the parties agreed that, among other things, (i) the Proceedings be discontinued; and (ii) upon completion of the transfer of certain shares including shares of the Company from Ultra Asset to the Claimant and the discontinuance of the Proceedings as agreed under the Deed of Settlement, the parties shall unconditionally release each other (including their shareholder, employees and directors) from all and any claims, actions, proceedings or suits of any nature arising out the allegations, disputes or events which form the factual subject matter of the relevant disputes or the Proceedings, except in relation to the implementation of, or a breach of, the terms of the Deed of Settlement.

Neither the Company nor Guang Cheng had an obligation under the Deed of Settlement to transfer shares or any other property and no amounts, sums or assets will be paid or received by the Group under the Deed of Settlement. Neither the Company nor Guang Cheng had given any guarantee in favour of the other parties under the Deed of Settlement. Neither the Company nor Guang Cheng had any particular obligation under the Deed of Settlement which would affect the financial position or business operations of the Group.

OUTLOOK

As stated in the Interim Report 2013, the Acquisition has strengthened the Group's revenue and asset base. Even though the dates of the commencement of the commercial operation of those coal mines are delayed, the Company is confident that investing in coal mining business enables the Company to have a better growth prospects and will create more values to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Net assets

At 31 December 2013, the Group recorded total assets of approximately HK$13,101,882,000 (2012: HK$649,419,000), which were financed by total liabilities of approximately HK$11,413,646,000 (2012: HK$400,662,000) and total equity of approximately HK$1,688,236,000 (2012: HK$248,757,000). The Group's net asset value as at 31 December 2013 increased by 578.7% to HK$1,688,236,000 as compared to approximately HK$248,757,000 as at 31 December 2012.

Gearing

At 31 December 2013, the Group's gearing ratio, computed as the Group's other borrowings, promissory notes and liabilities component of convertible loan notes over the total equity was approximately 1.78 as compared to approximately 1.18 as at 31 December 2012.

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$30 million on 24 June 2013 and 3 July 2013 respectively.

Liquidity

The Group had total cash and bank balances of approximately HK$88,941,000 as at 31 December 2013 (2012: HK$13,336,000). The Group did not have any bank borrowings for both years.

Based on the working capital forecast prepared by the management with reference to the Group's current business plans and the financial support by the Shanxi Coal Transportation, the management considers that the Company will be able to finance its working capital requirement.

Charges on assets

There was no asset pledged as at 31 December 2013. At 31 December 2012, the entire issued shares of Green Paradise Enterprises Limited, was pledged to the holder of the USD30M CB.

Treasury policies

The Group generally finances it operations with internally generated resources, from equity and/or debt financial activities. All financing methods will be considered so long as such methods are beneficial to shareholders as a whole. Subsidiaries in the PRC and Mongolia use internally generated resources to finance their working capital requirements. Bank deposits are mainly in Hong Kong dollar ("HK$"), Renminbi ("RMB") and United States dollar ("USD").

Contingent liabilities and capital commitments

The Group had no material contingent liability as at 31 December 2013 (2012: nil).

The Group has capital commitments for the acquisition of property, plant and equipment which were contracted but not provided for as at 31 December 2013 of approximately HK$368,370,000 (2012: nil). The Group had commitments for an investment in a cooperation project which were contracted but not provided for totaling HK$5,772,000 as at 31 December 2012 (2013: nil).

Foreign exchange exposure

For the year ended 31 December 2013, the Group mainly earns revenue in HK$, RMB and MNT and incurred costs in HK$, 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 31 December 2013, the Group employed approximately 1,131 full time staff in the PRC and Hong Kong (2012: 210). 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.

Subsequent Events

With reference to the announcement dated 2 January 2014 and the circular dated 17 March 2014, pursuant to the terms of the Remaining US$15M Convertible Bonds, the Conversion Price of the Remaining US$15M Convertible Bonds will be adjusted if the average closing price of one Share on the Stock Exchange (the "Year-end-month Average Closing Price") as quoted in the official daily quotation sheet of the Stock Exchange (or the equivalent) for all the Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place during the month in which the financial year-end day of the Company falls (the "Year-end-month") in any calendar year plus a premium of 15% thereof, is lower than the respective applicable Conversion Price of the Remaining US$15M Convertible Bonds then in force.

The Year-end-month Average Closing Price as quoted in the official daily quotation sheet of the Stock Exchange for all the Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place during December, being the Year-end-month, in the year 2013 was approximately HK$0.175 per Share, and such Year-end-month Average Closing Price plus a premium of 15% thereof is approximately HK$0.21 per Share and is lower than the applicable Conversion Price of HK$0.27 per Conversion Share currently in force.

Based on the Adjusted Conversion Price of HK$0.21 per Conversion Share and the aggregate principal amount of the Remaining US$15M Convertible Bonds of US$15,000,000, in the event that the Remaining US$15M Convertible Bonds are fully converted, a total of 553,571,428 Conversion Shares (as compared to 430,555,555 conversion shares based on the conversion price of HK$0.27) will be allotted and issued, representing approximately 18.78% of the existing issued share capital of the Company of 2,946,989,712 Shares as at the Latest Practicable Date of the circular published on 17 March 2014. Consequently, the total number of Conversion Shares to be issued under the Remaining US$15M Convertible Bonds will exceed the (i) general mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2010; and (ii) the specific mandate granted by the Shareholders at the special general meeting dated 12 April 2013. As such, the Company will seek the Specific Mandate from its Independent Shareholders at the Special General Meeting which will be held on 3 April 2014 for the approval of the allotment and issue of 123,015,873 Additional Conversion Shares.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 June 1999 with clear written terms of reference. For the year ended 31 December 2013 and as at the date of this announcement, the Audit Committee comprised three members, all of whom were Independent Non-Executive Directors. The composition of the Audit Committee as at the date of this announcement is Mr. Lim Yew Kong, John, (chairman of the Audit Committee), Mr. Leung Po Wing, Bowen Joseph *GBS, JP* and Mr. Zhou Chunsheng. Mr. Lim Yew Kong, John, the chairman of the Audit Committee is a qualified chartered accountant from the Institute of Chartered Accountants in England and Wales. None of the members of the Audit Committee is a partner or former partner of SHINEWING (HK) CPA Limited, the Company's external auditor.

The Audit Committee meets at least twice a year to review the annual and interim results and the accompanying auditor's reports, the accounting policies and practices adopted by the Company, and the financial and internal control systems of the Company.

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2013 in conjunction with the external auditors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2013, the Company has complied with the code provisions and recommended best practices of the Code except for certain deviations as set out below. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

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

During the year, the Chairman fulfilled his responsibilities as the Chairman of the Board, including chairing the board meetings, ensuring that the Board operates effectively and discharges its responsibilities, ensuring good corporate governance practices and procedures by anchoring with the Listing Rules (even though these practices and procedures have not been formally documented in the Company's policy), facilitating effective contribution of Directors, ensuring effective communications with shareholders and ensuring constructive relations between executive and non-Executive Directors. During the year, the Chairman has also chaired meeting with the independent non-Executive Directors and the non-Executive Director, without the presence of the other executive director.

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

The Board considers that the appointment and removal of directors are the collective decision of the Board. Where vacancies on the Board exist, the Board will carry out the selection process by making references to, among other matters, the skill, experience, professional knowledge, personal integrity and time commitments of the proposed candidate, including the independence status 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.

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Company. During the year, the management has provided sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approval including the monthly updates on the Company's performance, position and prospects.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Model Code has been adopted as the code for Directors' securities transaction for the Company. After having made specific enquiry of all the Directors, each of the Directors confirmed that he had complied with the Model Code for the year ended 31 December 2013.

PUBLICATION OF DETAILED RESULTS

The 2013 Annual Report of the Company, which contains the detailed results and other information of the Company pursuant to Appendix 16 of the Listing Rules, will be despatched to shareholders and published on the Stock Exchange's website: http://www.hkex.com.hk and the Company's website http://www.northasiaresources.com within the prescribed period. This announcement can also be accessed on both Stock Exchange's and the Company's website.

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

Hong Kong, 27 March 2014

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.