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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 together with the comparative figures for the corresponding year in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4	**197,765**	63,923
Cost of sales and services rendered		**(225,712)**	(46,753)
Gross (loss) profit		**(27,947)**	17,170
Other operating income	4	**11,741**	5,128
Selling and distribution expenses		**(3,349)**	(4,574)
Administrative and operating expenses		**(174,064)**	(223,576)
Change in fair value of derivative component of convertible loan notes		**126,851**	(786,373)
Loss on redemption of convertible loan notes		**(4,181)**	(3,305)
(Loss) gain on redemption of promissory notes		**(126)**	2,398
Impairment loss recognised in respect of mining rights		**(338,896)**	(2,715,022)
Reversal of impairment loss in respect of mining right		**900,880**	–
Impairment loss recognised in respect of goodwill		**–**	(2,352)
Impairment loss recognised in respect of property, plant and equipment		**(51,704)**	(368,432)
Reversal of impairment loss in respect property, plant and equipment		**143,517**	–
Finance costs	5	**(272,652)**	(371,978)
Profit (loss) before taxation	6	**310,070**	(4,450,916)
Income tax (expense) credit	7	**(118,872)**	678,184
Profit (loss) for the year		**191,198**	(3,772,732)
Attributable to:			
Owners of the Company		**107,605**	(2,373,281)
Non-controlling interests		**83,593**	(1,399,451)
		191,198	(3,772,732)
Earnings (loss) per share	9		
Basic *(HK cents)*		**0.21**	(15.70)
Diluted *(HK cents)*		**0.13**	(15.70)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) for the year	**191,198**	(3,772,732)
Other comprehensive expense for the year, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(148,950)**	(325,341)
Other comprehensive expense for the year	**(148,950)**	(325,341)
Total comprehensive income (expenses) for the year	**42,248**	(4,098,073)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**51,867**	(2,512,320)
Non-controlling interests	**(9,619)**	(1,585,753)
	42,248	(4,098,073)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**1,437,291**	1,060,046
Mining rights		**7,944,075**	7,977,311
Goodwill		**–**	–
Deposits paid for acquisition of property, plant and equipment		**22,440**	42,668
		9,403,806	9,080,025
Current assets			
Inventories		**4,676**	5,530
Trade and other receivables	*10*	**195,755**	101,824
Amount due from a related company		**9**	9
Amount due from a director		**66**	–
Bank balances and cash		**36,943**	34,461
		237,449	141,824
Current liabilities			
Trade and other payables	*11*	**875,639**	832,010
Amounts due to related companies		**344,157**	321,448
Amount due to a non-controlling interest holder		**3,902,503**	2,745,260
Other borrowings		**40,007**	5,755
Obligation under finance lease		**10,199**	–
Liabilities component of convertible loan notes		**–**	121,587
Derivative component of convertible loan notes		**67,594**	356,225
Promissory notes		**–**	217,963
Income tax liabilities		**8,376**	6,947
		5,248,475	4,607,195
Net current liabilities		**(5,011,026)**	(4,465,371)
Total assets less current liabilities		**4,392,780**	4,614,654

	2016	2015
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**729,675**	206,634
Convertible preference shares	**–**	–
Reserves	**(1,583,747)**	(2,544,479)
Equity attributable to owners of the Company	**(854,072)**	(2,337,845)
Non-controlling interests	**2,935,887**	2,945,506
Total equity	**2,081,815**	607,661
Non-current liabilities		
Amount due to a non-controlling interest holder	**25,712**	975,196
Provision for restoration, rehabilitation and environmental costs	**66,682**	67,497
Liabilities component of convertible loan notes	**370,998**	1,142,188
Other borrowings	**–**	31,284
Obligation under finance lease	**52,147**	–
Deferred tax liability	**1,795,426**	1,790,828
	2,310,965	4,006,993
	4,392,780	4,614,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

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

The addresses of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The directors of the Company consider HK$ is the appropriate presentation currency for the users of the Group's financial statements. The functional currency of the Company was changed from Renminbi ("RMB") to HK$ in 2015 since the management determined that the Company was listed in Hong Kong and its fund raising and treasury transactions were carried out in HK$. The functional currency of the Company's major subsidiaries are dominated in RMB.

The principal activity of the Company is investment holding and provision of finance and treasury service to the Group. During the year, the Group were principally involved in systems integration services and software solutions, geological survey, exploration and development of coal deposits (mining operation), sales of coking coal and cultivation and processing of cassava into starch for sale.

Basis of preparation of the consolidated financial statements

As at 31 December 2016, the Group had net current liabilities of approximately HK$5,011,026,000. The directors 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 2016 after had taken into consideration of the following:

i) as at 31 December 2016, included in the current liabilities of the Group was derivative component of convertible loan notes of approximately HK$67,594,000 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 and the early redemption option. Such derivative component of convertible loan notes shall not result in any cash outflow for the Group;

ii) subsequent to 31 December 2016, creditors of certain amounts of other payables and amount due to related companies had already confirmed that they shall not demand immediate settlement due by the Group before 1 July 2018;

iii) subsequent to 31 December 2016, the Group's non-controlling interest holder had confirmed that the aggregate amount due by the Group of approximately HK$3,928,215,000 are extended for not less than one year from the original dates on which they are falling due; and

iv) 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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. 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 purpose of resources allocation and performance assessment are as follows:

Systems 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	–	Cultivation and processing of cassava into starch for sales

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 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.

	Systems integration services and software solutions		Mining operation		Coal operation		Cassava starch operation		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December										
Revenue										
Sales to external customers	**94,912**	58,333	**93,225**	5,590	**–**	–	**9,628**	–	**197,765**	63,923
RESULTS										
Segment gain	**357**	(5,638)	**489,273**	(3,209,553)	**(156)**	(2,071)	**3,163**	–	**492,637**	(3,217,262)
Unallocated income									**128,761**	491
Unallocated expenses									**(38,675)**	(862,167)
Finance costs									**(272,653)**	(371,978)
Profit(loss) before taxation									**310,070**	(4,450,916)

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, loss on redemption of convertible loan notes, (loss)/gain on redemption of promissory notes, certain other 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

	2016	2015
	HK$'000	*HK$'000*
Systems integration services and software solutions	**40,554**	44,970
Mining operation	**9,535,331**	9,142,300
Coal operation	**41**	75
Cassava starch operation	**27,618**	–
Total segment assets	**9,603,554**	9,187,345
Unallocated	**37,711**	34,504
Consolidated assets	**9,641,255**	9,221,849

Segment liabilities

	2016 *HK$'000*	2015 *HK$'000*
Systems integration services and software solutions	**45,440**	48,482
Mining operation	**5,121,446**	4,834,080
Coal operation	**54,301**	54,401
Cassava starch operation	**7,309**	–
Total segment liabilities	**5,228,496**	4,936,963
Unallocated	**2,330,944**	3,677,225
Consolidated liabilities	**7,559,440**	8,614,188

For the purposes of monitoring segment performances 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, 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 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.

Geographical information

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

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		Cambodia		Consolidated	
	2016 *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*
Segment revenue								
Revenue from external customers	**–**	–	**188,137**	63,923	**9,628**	–	**197,765**	63,923
Non-current assets	**349**	308	**9,403,457**	9,079,717	**–**	–	**9,403,806**	9,080,025

Revenue from major products and services

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

	2016	2015
	HK$'000	*HK$'000*
Sale of automatic teller machines	**20,271**	19,645
Sale of mining products	**93,225**	5,590
Sale of Cassava starch	**9,628**	–
Rendering of computer technology services	**74,641**	38,688
	197,765	63,923

Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**50,058**	8,557
Customer B[2]	**23,370**	N/A[3]
Customer C[2]	**22,176**	N/A[3]

1 Revenue from systems integration services and software solutions products.

2 Revenue from mining operation.

3 The corresponding revenue, from mining operation, did not contribute over 10% of the total revenue of the Group.

4. REVENUE AND OTHER OPERATING INCOME

Revenue 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:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**123,124**	25,235
Rendering of services	**74,641**	38,688
	197,765	63,923
Other operating income		
Gain on disposal of property, plant and equipment	**452**	2,660
Interest income	**169**	242
Net foreign exchange gains	**1,740**	1,272
Recovery of other receivables previously written off	**–**	35
Reversal of impairment loss in respect of trade receivable	**8,733**	–
Sundry income	**83**	3
Gain on settlement of interest payable	**–**	477
Government grant *(note)*	**564**	439
	11,741	5,128

Notes:

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.

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
– effective interest expenses on convertible loan notes	**134,144**	192,970
– promissory notes	**5,598**	29,798
– other borrowings	**3,027**	2,346
– finance lease	**11,885**	–
– amount due to a related company	**482**	791
– amount due to a non-controlling interest holder	**321,709**	314,848
Total borrowing costs	**476,845**	540,753
Less: amounts capitalised in construction in progress	**(207,876)**	(172,563)
Imputed interest for provision for restoration, rehabilitation and environmental costs	**3,683**	3,788
	272,652	371,978

6. PROFIT(LOSS) BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Auditor's remuneration	**1,510**	1,371
Amortisation of mining rights included in cost of sales	**94,882**	–
Amounts of inventories recognised as expense	**65,507**	17,406
Depreciation	**42,920**	47,383
Directors' and chief executive's emoluments	**13,577**	23,973
Impairment loss recognised in respect of trade receivables	**–**	1,859
Payments under operating leases in respect of land and buildings	**10,963**	12,641
Staff costs (excluding directors' and chief executive's emoluments)	**75,750**	102,185

7. INCOME TAX EXPENSE (CREDIT)

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**1,449**	572
Cambodia profit tax	**646**	–
Deferred tax:		
Current year	**116,777**	(678,756)
Income tax expense	**118,872**	(678,184)

(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 is 25% for both years.

(iv) Under the Law of the Cambodia, the tax rate of the Combodia subsidiaries is 20% for 2016.

8. DIVIDENDS

No dividend was paid or proposed during both years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS (LOSS) PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit (Loss) for the year attributable to the owners of the Company	**107,605**	(2,373,281)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**114,696**	N/A
Change in fair value of derivative component of convertible loan notes	**(126,849)**	N/A
Earnings for the purpose of diluted earnings per share	**95,452**	N/A
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**50,746,992,367**	15,090,139,513
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**20,213,092,320**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**70,960,084,687**	15,090,139,513

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the placing and share conversion of convertible loan notes on 18 March 2016 and 30 December 2016.

For the year ended 31 December 2016 and 2015, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of the share options is higher than the average market price for shares.

For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the conversion of certain convertible loan notes since it has anti-dilutive impact on the earning per share.

For the year ended 31 December 2015, the computation of diluted loss per share did not assume the conversion of the convertible loan notes and convertible preference shares since their exercise would result in a decrease in loss per share.

The basic and diluted loss per share were the same for the year ended 31 December 2015.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**47,736**	51,020
Less: Allowance for impairment of trade receivables	**(14,298)**	(23,591)
	33,438	27,429
Prepayments, deposits and other receivables	**162,317**	74,395
Total trade and other receivables	**195,755**	101,824

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 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:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**17,649**	7,704
91 days to 180 days	**10,304**	7,460
181 days to 365 days	**3,211**	6,669
Over 365 days	**2,274**	5,596
	33,438	27,429

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables		
– third parties	**14,653**	6,145
– a non-controlling interest holder	**325**	325
	14,978	6,470
Receipts in advance	**117,114**	43,963
Accrued staff costs	**55,445**	54,518
Other taxes payable	**3,969**	3,689
Considerations for acquisition of subsidiaries	**341,759**	381,784
Payables for construction works and purchase of machineries	**290,986**	291,958
Accrued expenses and other payables	**51,388**	49,628
	875,639	832,010

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

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**8,093**	2,264
91 days to 180 days	**1,945**	43
181 days to 365 days	**707**	1,143
Over 365 days	**4,233**	3,020
	14,978	6,470

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.

As at 31 December 2016, trade and other payable amounting to approximately HK$20,010,000 (2015: HK$20,499,000) were dominated in HK$, which is a foreign currency other than the funcational currency of the relevant group entities.

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's 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:

	2016	2015
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**9,784**	10,833
In the second to fifth year inclusive	**4,152**	8,942
	13,936	19,775

(b) Other capital commitments

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for in respect of:		
– acquisition of property, plant and equipment	**313,879**	328,555

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2016 which has included a disclaimer of opinion:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Uncertainties relating to Going Concern

As set out in Note 1 to the consolidated financial statements, the Group had net current liabilities of approximately HK$5,011,026,000 as at 31 December 2016. The consolidated financial statements of the Group have been prepared by the directors of the Company on a going concern basis, the validity of which depends on the ongoing external facilities available to the Group and the internal funds generated by the Group. We are unable to verify the availability of such future financing. If these ongoing facilities and internal funds are not forthcoming, the Group would be unable to meet its financial obligations as and when they fall due, which might cast a significant doubt on the Group's ability to continue as a going concern. Accordingly, we disclaim our opinion in this respect.

Impairment Losses and Reversal of Impairment Losses in respect of Mining Rights and Property, Plant and Equipment

Based on the valuation reports and the technical reports in relation to the mining operations (the "Valuations") as obtained by the Group, the Group recognised impairment losses of approximately HK$338,896,000 and HK$51,704,000 in respect of mining rights and property, plant and equipment respectively during the interim period. The Group carried out an impairment assessment as at 31 December 2016 and reversed the impairment losses made in respect of mining rights and property, plant and equipment of approximately HK$900,880,000 and HK$143,517,000 respectively. We are unable to obtain sufficient reliable evidence to satisfy ourselves as to certain those assumptions and basis as adopted in the Valuations and there is no other practical alternative audit procedure that we could perform. Any adjustments that might have been found to be necessary would have a consequential effect on the Group's impairment loss and reversal of impairment losses in respect of mining rights and property, plant and equipment for the year ended 31 December 2016, and the carrying amounts of the mining rights and property, plant and equipment as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2016, the Group recorded a revenue of approximately HK$197,765,000 (2015: HK$63,923,000) which represented an increase of approximately 209%. Due to the increase in sales of coking coal and revenue from rendering computer technology services, the revenues of mining segment and system integration services and software solutions segment were significantly increased to approximately HK$93,225,000 (2015: HK$5,590,000) and HK$94,912,000 (2015: HK$58,333,000) respectively.

For the year ended 31 December 2016, the Group recorded gross loss of approximately HK$27,947,000 (2015: gross profit HK$17,170,000), mainly caused by an adjustment for amortisation of mining rights included in cost of sales of approximately HK$94,882,000.

The Group recorded a profit of approximately HK$191,198,000 as compared to a loss of approximately HK$3,772,732,000 last year. The turnaround from loss to profit was mainly due to the impairment loss reversed in respect of the mining rights and property, plant and equipment, change in fair value of derivative component of convertible loan notes and decrease in administrative and operating expenses and finance costs. The impairment loss reversed in respect of mining rights and property, plant and equipment amounted to approximately HK$900,880,000 and HK$143,517,000, respectively, arising from the increase in fair value of mining operation. The increase in fair value of mining operation 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 14.98% (2015: 15.84%) and prevailing coal price of RMB700 per tonne (2015: RMB680 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 mine's commercial operation was delayed by an average of 9 months as compared with 2015 due to the suspension of construction and development works of our mines.

The operation of our mines with exception of Fuchang Mine was further delayed due to the inspection on the rectification measures required by the notifications issued in 2015 and January 2016 by relevant authorities and the implementation of rectification measures by other mines required by each notification issued in May 2016. Please refer to Business Review section for details.

Except for the changes to the mines' commercial operation schedule and coal prices stated, there has been no change in valuation methodology and only minor changes in discount rate and other miscellaneous factors in comparison to previous valuation of Lexing Group dated 31 December 2015. Apart from the delay in commercial operations of the relevant mines and increase in coal price, the Company is not aware of any other significant reason or change in circumstances during the financial year ended 31 December 2016 leading to the reversal of impairment loss. For the key change in assumptions and parameters in the valuation of Lexing Group as at 31 December 2016 and 31 December 2015 are set out as below:

Methodology	**31 December 2016 Income Approach**	**31 December 2015 Income Approach**	**Remarks**
Key Assumptions			
1. Production Schedule			
Bolong Mine			
Operation Starting Date	**Fourth quarter of 2017**	Second quarter of 2017	Update based on latest mines' commercial operation schedule
Fuchang Mine			
Operation Starting Date	**Second quarter of 2017**	Second quarter of 2017	
Jinxin Mine			
Operation Starting Date	**Fourth quarter of 2017**	Second quarter of 2017	
Liaoyuan Mine			
Operation Starting Date	**Fourth quarter of 2017**	Second quarter of 2017	
Xinfeng Mine			
Operation Starting Date	**First quarter of 2018**	Third quarter of 2017	
2. Coal Price	**RMB700**	RMB680	Increase in prevailing coal price
3. Discount Rate (Post-tax)	**14.98%**	15.84%	
4. Mine Operating Costs	**Technical report issued by JT Boyd in 2017**	Technical report issued by JT Boyd in 2012	Update based on latest Technical report All mine operating costs are updated, including certain mine operating costs are cancelled
5. Capital Expenditures	**Technical report issued by JT Boyd in 2017**	Technical report issued by JT Boyd in 2012	Update based on latest technical report

Note: As shown in the above table, the primary change in valuation assumption would be the rise in prevailing coal price (which is dominant factor for the rise in valuation) and delay in mines' commercial operation schedule. There was no change in valuation methodology in those valuations. For discount rate, calculation of WACC is based on market participant's data which are varied daily due to new information and changing market expectation every day.

The increase in fair value of derivative component of convertible loan notes for the year 2016 was approximately HK$126,851,000.

The administrative and operating expenses for the year 2016 was approximately HK$174,064,000 (2015: HK$223,576,000) which represented a decrease of approximately HK$49,512,000 or 22% when compared with the year 2015, mainly due to the decrease in staff costs of approximately HK$36,861,000.

The finance costs for the year 2016 was approximately HK$272,653,000 (2015: 371,978,000) which represented a significant decrease of approximately HK$99,325,000 or 27% when compared with the year 2015. The decrease in finance costs 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. Please refer to Business Review section heading Reduction of debts for details.

FINAL DIVIDEND

Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

Overview

During the year 2016, the Company has worked diligently towards (i) developing agricultural and processing business; (ii) developing system integration and software solution business; (iii) fund raising for the operation of business: (iv) reduction of debts; and (v) strive 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 PRC authorities.

Developing agricultural and processing business

As disclosed in the announcement of the Company dated 25 November 2016, the Group intends to commence the business of (i) cultivation of cassava; (ii) building/acquiring a processing plant to process the cassava into starch and other products; and (iii) marketing and sales of cassava starch. During the year of 2016, the Group had commenced the operation of processing cassava into starch and marketing and sales of cassava starch. The Group is seeking for suitable lands for cultivation of cassava and building manufacturing plant to process the cassava into starch and other products. In year of 2016, this segment contributed the revenue of HK$9,628,000.

Developing System Integration and Software Solution Business

During the year of 2016, the Group put a lot of resources into our System Integration and Software Solution Business to promote our products and services to our existing and new customers. As a result, the sales of System Integration and Software Solution Business recorded the significant growth of revenue by approximately HK$36,579,000 or 63% to approximately HK$94,912,000 (2015: HK$58,333,000).

Fund raising for the operation of business

As disclosed in (i) announcement dated 3 December 2015, 15 January 2016 and 18 March 2016; (ii) circular dated 31 December 2015; and (iii) supplementary circular dated 20 January 2016 of the Company respectively, the Company entered into the placing agreement dated 3 December 2015 (as amended and supplemented by a supplemental placing letter dated 15 January 2016) with placing agent pursuant to which the placing agent, as agent of the Company, agrees to procure on the best effort basis not less than six placees, who will be independent third party, to subscribe for the placing shares, being up-to 38,000,000,000 shares at the placing price of HK$0.01 per placing share. The closing price per share on 27 November 2015, being the last trading date prior to the entering of the placing agreement, was HK$0.061. The placing was completed on 18 March 2016 and the allotment and issue of 38,000,000,000 shares to more than six placees, who and whose ultimate beneficial owners are independent third party, at the price of HK$0.01. Net proceeds of HK$363.9 million from the placing were used to redeem the 2013 Convertible Loan Note B, Promissory Note B and Promissory Note C which due to mature on 23 June 2016 and 2 July 2016 respectively, and to settle the related interest of the Group. The balances of net proceeds from the Placing of approximately HK$10.9 million are used for general working capital of the Group.

Reduction of debts

As the above mentioned, the Company redeemed US$16,500,000 of the 2013 Convertible Loan Notes B and US$20,500,000 of the Promissory Note B and US$7,000,000 of the Promissory Note C on 18 March 2016. Moreover, principal amounts of approximately HK$1,001,287,000 of the 2013 Convertible Loan Note A were converted into 14,304,099,595 ordinary shares on 30 December 2016.

After the said redemption and conversion of Convertible Loan Notes and Promissory Notes, the debt burden of the Company had been lightened and the future interest expenses would be lessened.

Strive for resumption of the construction works for the five coal mines

During the year, the re-construction and improvement works on Fuchang Mine has been completed. It is expected that the commercial operation of Fuchang Mine will be commenced by 30 April 2017. The other mines are still implementing the rectification measures required by the each notification issued by relevant authorities in May 2016.

Details are stated in the Coal Mining section below.

Coal Mining

As disclosed in the announcements of the Company dated 9 March 2016, our coal mines in Shanxi Province had been suspended for implementation of safety requirements for coal mines requested by several notices issued by relevant authorities in Shanxi Province.

On 29 January 2016, 山西省煤炭工業廳 (Shanxi Provincial Coal Industry Office*) issued 《山西省煤礦復產復建驗收基本條件的通知》(Notification of Basic Requirements on Inspection for Resumption of Production and Construction for Coal Mine in Shanxi Province*) which clearly defined further requirements by the relevant authorities in inspection on the resumption of production and construction.

On 25 May 2016, Shanxi Provincial Coal Industry Office together with 山西煤礦安全監察局 (Shanxi Administration Bureau of Coal Mine Safety*) issued《關於印發山西省進一步強化煤礦重大災害防治有效防範重特大事故工作方案的通知》(Notification of Effective Further Prevention for Significant Disaster in Shanxi Province*) which required specific check on prevention measures on gas leakage, coal mine flooding, fire, land pressure, hoisting-and-transport, roof collapse, and grime. During the year, the rectification measures of Fuchang Mine has been completed and applied to relevant authorities for the inspection on the rectification measures. The re-construction and improvement works on Fuchang Mine has been completed. It is expected that the commercial operation of Fuchang Mine will be commenced on or before 30 April 2017. For other coal mines of the Group, the relevant authorities are inspecting rectification measures as required by the notifications issued in 2015 and January 2016 and other mines are implementing the rectification measures required by the notification issued in May 2016. After the completion of rectification measures required by the notices, the Group shall apply for inspection on the implementation of the required rectification measures. After inspection by relevant authorities on rectification measures, the Group shall apply for resumption of construction and development works of our mines.

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 May 2017	30 September 2017
Jinxin Mine	30 June 2017	31 October 2017
Xinfeng Mine	30 September 2017	31 January 2018
Bolong Mine	31 July 2017	30 November 2017
Fuchang Mine	Completed	30 April 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 our 2016 Annual Report to be published in late April 2017.

Resources and Reserves of Mines

The mines and projects owned by the Group have significant coal reserves and resources under the JORC Code (2012 Edition). According to the Competent Person's Report from John T. Boyd Company dated January 2017, 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 3.60 Mt, the total aggregate proved and probable recoverable reserves of coal in Xinfeng mine was approximately 7.52 Mt, the total aggregate proved and probable recoverable reserves of coal in Bolong mine was approximately 21.86 Mt and the total aggregate proved and probable recoverable reserves of coal in Fuchang mine was approximately 5.15 Mt.

JORC Mineral Resources and Reserves as of 31 December 2016:

	MINING RIGHT AREAS											
	In-Place Resource (Mt)				Recoverable Reserves (Mt)				Marketable Reserves (Mt)			
Mine	Measured	Indicated	Inferred	Total	Proved	Probable	Total	Processing Yield %	Proved	Probable	Total	% of Reserves
Bolong	17.94	20.66	–	38.6	10.54	11.32	21.86	93	9.79	10.52	20.31	48
Fuchang	6.94	2.31	–	9.25	4.05	1.10	5.15	92	3.73	1.02	4.75	11
Jinxin	2.09	4.78	0.44	7.31	1.16	2.44	3.60	95	1.10	2.33	3.43	8
Liaoyuan	9.07	6.57	2.53	18.17	4.42	3.49	7.91	94	4.14	3.30	7.44	17
Xinfeng	6.59	6.53	–	13.12	4.14	3.38	7.52	93	3.84	3.12	6.96	16
Total	42.63	40.85	2.97	86.45	24.31	21.73	46.04		22.60	20.29	42.89	100

The reserves and resources table was compiled by the technical advisors from J T Boyd. Their identities and qualifications detail could be found in our 2016 Annual Report which will be despatched before the end of April 2017.

System Integration Services and Software Solutions

The PRC government's continuously promotion in "internet+" and strong encouragement in applying huge data analysis in different areas has brought great prospects to our System Integration and Software Business. The Group seized the policies opportunities and successfully promoted our IT products and services to our customers.

As result, the turnover for the year of 2016 significantly increased in comparison to the last year mainly due to the increase in revenue from our system integration services. At the same time, the gross profit margin was improved as a result of increase in revenue from rendering of computer technology services and software.

In year of 2016, the PRC economic slowdown caused the suppression in demand for automated teller machine ("ATM") by banking industry. Besides, the keen competition from local manufacturers of ATMs also affected the sales of our ATMs.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining a higher environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

A separate Environmental, Social and Governance Report will be published in compliance with the requirements of the Listing Rules.

OUTLOOK

As the information technology expanded rapidly in these years, many kind of high tech products show up in the market and some of them spread and reverse the traditional concept of consumption. Such as the pre-paid card system, mobile banking, Near Field Communication featured money transfer, all these would be a pressure for the ATM business of the Company. Hence, the Company are now preparing to diversify the resources to other segment of business.

The Company 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.

Also, the Group will continue to identify suitable investments, acquisitions and project opportunities in order to enhance the value of the Company and to create higher returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Total Equity

As at 31 December 2016, the Group recorded total assets of approximately HK$9,641,255,000 (2015: HK$9,221,849,000), which were financed by total liabilities of approximately HK$7,559,440,000 (2015: HK$8,614,188,000) and total equity of approximately HK$2,081,815,000 (2015: HK$607,661,000). The Group's total equity as at 31 December 2016 was significantly increased by HK$1,474,154,000 or 243% to HK$2,081,815,000 as compared to approximately HK$607,661,000 as at 31 December 2015, mainly due to the improvement in capital structure as shown by the significant increase in share capital and share premium, after the share placing and conversion of convertible loans notes during the year of 2016.

Gearing

As at 31 December 2016, 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 23% as compared to approximately 250% as at 31 December 2015, indicating a largely improved financial position after the significant increase in share capital as well as reduction of debts.

Liquidity

The Group had total cash and bank balances of approximately HK$36,943,000 as at 31 December 2016 (2015: HK$34,461,000). The Group did not have any bank borrowings for both years.

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

Funding raising activities – Placing

As mentioned in the Business Review section, the Company entered into a placing agreement dated 3 December 2015 (as amended and supplemented by a supplemental placing agreement dated 23 December 2015 and supplemental placing letter dated 15 January 2016) with a placing agent and completed to allot and issue all 38,000,000,000 shares at the placing price of HK$0.01 per placing share on 18 March 2016. The net proceeds from the placing are approximately HK$374.8 million and have been used for general working capital (including settlement of interest expense and reduction of debts) as intended. The summary of use of proceeds from the placing is set out as below:

	HK$ million
Net proceeds from the placing	374.8
Less: Reduction of debt and settlement of interest expense	(363.9)
Operating expenses	(10.9)
Balance as at 31 December 2016	–

For details, please refer to Business Review section.

Charge on assets

As at 31 December 2016, a share charge had been created over entire issued shares of Topasia Computer Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company to the Lender. For details, please refer to the announcement of the Company dated 13 July 2015.

There was no additional asset pledged during the year 2016.

Treasury Policies

The Group generally finances its 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 use internally generated resources to finance their working capital requirements. Bank deposits are mainly in Hong Kong dollar ("HK$"), Renminbi ("RMB") and United States dollar ("US$").

Contingent Liabilities and Capital Commitments

The Group had no material contingent liability as at 31 December 2016 (2015: 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 2016 of approximately HK$313,879,000 (2015: HK$328,555,000).

Foreign Exchange Exposure

For the year ended 31 December 2016, the Group mainly earns revenue in HK$, RMB and incurred costs in HK$, RMB and US$. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK$, may have possible impact on the Group's results and financial positions.

Employee and Remuneration Policies

As at 31 December 2016, the Group employed approximately 976 (2015: 1,012) full time staff in the PRC and Hong Kong. The staff costs (including directors' emoluments) for the year 2016 amounted to approximately HK$89,327,000 (2015: HK$126,158,000). 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the year ended 31 December 2016 and as at the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 June 1999 with clear written terms of reference. And the terms of reference of Audit Committee had been revised on 14 December 2015 and became effective from 1 January 2016.

For the year ended 31 December 2016 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 was Ms. Leung Yin Fai (chairman of the Audit Committee), Mr. Leung Po Wing, Bowen Joseph *GBS, JP* and Mr. Zhou Chunsheng. Ms. Leung Yin Fai, the chairman of the Audit Committee, is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Association of Chartered Certified Accountants. None of the Audit Committee members 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 (i) the annual and interim results and the accompanying auditor's reports; (ii) the accounting policies and practices adopted by the Company; and (iii) the financial and internal audit of the Company.

The Audit Committee had reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, including the disclaimer opinion in the auditor's report thereon, and had submitted its views to the Board of Directors.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company has complied with the code provisions and recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

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 for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules 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 2016.

PUBLICATION OF DETAILED RESULTS

The 2016 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 the 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, 30 March 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.

* *For identification purposes only*