NORTH ASIA RESOURCES HOLDINGS LIMITED
北亞資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 61)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of North Asia Resources Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial information (the "Interim Financial Information") of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010. The Interim Financial Information has not been audited but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Continuing operations			
Turnover	3	**27,062**	14,807
Cost of sales and services rendered		**(21,896)**	(9,282)
Gross profit		**5,166**	5,525
Other income		**812**	475
Selling and distribution expenses		**(1,612)**	(1,828)
Administrative expenses		**(25,915)**	(28,434)
Change in fair value of derivative component of convertible loan notes	12	**12,587**	–
Loss on amendment of terms of convertible loan notes	12	**(24,166)**	–
Impairment loss recognised in respect of mining rights	9	**(129,300)**	–
Finance costs	4	**(36,461)**	(13,506)
Loss before taxation		**(198,889)**	(37,768)
Income tax	5	**12,848**	(22)
Loss for the period from continuing operations	6	**(186,041)**	(37,790)
Discontinued operations			
Profit for the period from discontinued operations		**–**	282
Loss for the period		**(186,041)**	(37,508)
Attributable to:			
Owners of the Company		**(185,827)**	(37,051)
Non-controlling interests		**(214)**	(457)
		(186,041)	(37,508)
Basic and diluted loss per share (HK cents)	8		
– from continuing and discontinued operations		**(21.67)**	(6.57)
– from continuing operations		**(21.67)**	(6.67)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(186,041)**	(37,508)
Exchange differences on translation of foreign operations	**65**	349
Exchange reserve realised on disposal/deregistration of subsidiaries	**–**	(1,677)
Other comprehensive income (expense) for the period, net of tax	**65**	(1,328)
Total comprehensive expense for the period, net of tax	**(185,976)**	(38,836)
Attributable to:		
Owners of the Company	**(185,762)**	(38,379)
Non-controlling interests	**(214)**	(457)
	(185,976)	(38,836)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011** *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Non-current assets			
Plant and equipment		**102,360**	82,965
Mining rights	*9*	**1,134,825**	1,264,392
Exploration and evaluation assets		**7,645**	7,645
Deposit for acquisition of a subsidiary		**23,088**	23,088
Deposit for acquisition of plant and equipment		**26,968**	22,040
		1,294,886	1,400,130
Current assets			
Inventories		**10,590**	7,813
Trade and other receivables	*10*	**62,205**	49,309
Amount due from a director		**223**	262
Bank balances and cash		**196,421**	259,086
		269,439	316,470
Current liabilities			
Trade and other payables	*11*	**46,562**	48,033
Amount due to a minority shareholder		**306**	306
Liability component of convertible loan notes	*12*	**332,411**	–
Derivative component of convertible loan notes	*12*	**26,749**	–
Income tax liabilities		**6,789**	6,743
		412,817	55,082
Net current (liabilities) assets		**(143,378)**	261,388
Total assets less current liabilities		**1,151,508**	1,661,518
Capital and reserves			
Share capital		**11,380**	8,514
Convertible preference shares		**20,865**	23,387
Reserves		**1,009,278**	1,195,384
Equity attributable to owners of the Company		**1,041,523**	1,227,285
Non-controlling interests		**259**	430
Total equity		**1,041,782**	1,227,715
Non-current liabilities			
Liability component of convertible loan notes	*12*	**–**	295,950
Derivative component of convertible loan notes	*12*	**–**	15,170
Deferred tax liability		**109,726**	122,683
		109,726	433,803
		1,151,508	1,661,518

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2011

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 address of the Company's principal place of business is Units 2001-2, 20th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Interim Financial Information is presented in Hong Kong dollars ("HK$"). The functional currency of the subsidiaries established in the People's Republic of China (the "PRC") is Renminbi ("RMB"), the functional currency of the Company and the subsidiaries incorporated in Mongolia is United States Dollars ("USD"), and the functional currency of the other subsidiaries is HK$.

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

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

Basis of preparation of the Interim Financial Information

In preparing the Interim Financial Information, the Directors have given consideration to the future liquidity of the Group.

As explained in the Company's announcement dated 9 February 2011, its 2010 Annual Report and the circular to shareholders dated 31 March 2011, the Group breached the subscription agreements (the "Subscription Agreements) and the conditions of the convertible loan notes issued in 2010 (the "2010 Convertible Loan Notes"). Accordingly, the subscribers of the 2010 Convertible Loan Notes have the right to demand immediate repayment of the principal amounts of the 2010 Convertible Loan Notes. As a result, the 2010 Convertible Loan Notes with a principal amount of USD43,000,000 (equivalent to approximately HK$335,400,000) was classified as current liabilities in the condensed consolidated statement of financial position as at 30 June 2011. As such, at 30 June 2011, the Group had net current liabilities of approximately HK$143,378,000. Furthermore, the Group incurred a loss and had net operating cash outflow of approximately HK$186,041,000 and HK$33,311,000, respectively for the six months ended 30 June 2011. These conditions indicate the existence of 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.

Basis of preparation of the Interim Financial Information (Continued)

Nevertheless, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that the negotiations with the subscribers of the 2010 Convertible Loan Notes not to request for early redemption of the Convertible Loan Notes, are still ongoing. Accordingly, the Directors are of the opinion that it is appropriate to prepare the Interim Financial Information for the six months ended 30 June 2011 on a going concern basis, the validity of which is dependent on (i) the successful outcome of the Group's ongoing negotiation with the subscribers of the 2010 Convertible Loan Notes and prospective external financial resources providers to bring in viable assets and/or projects to restructure its defaulted financial obligations and to solve the Group's solvency position at any point of time; and (ii) the Groups' ability to have adequate cash flows to maintain its operations. 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 Interim Financial Information.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("INTs") (herein collectively referred to as ("new and revised HKFRSs"), issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except of the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in this Interim Financial Information and disclosures set out in this Interim Financial Information.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Hong Kong Accounting Standard ("HKAS") 1 (Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2012.*
[3] *Effective for annual periods beginning on or after 1 July 2012.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires 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 accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 recognised 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Interim Financial Information.

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating segments based on information reported to the Board (being the chief operation decision maker ("CODM")) for the purpose of resource allocation and performance assessment are as follows:

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

Note: Revenue from the provision of software solutions for banks and public sectors has declined and did not meet the qualitative thresholds required by HKFRS 8, management has concluded that this segment should not be separately reported during the period.

Segments revenues and results

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

	Continuing operations							
	Banking and finance systems integration services		Mining operation		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the six months ended 30 June								
TURNOVER								
Sales to external customers	**22,206**	14,643	**4,856**	–	**–**	164	**27,062**	14,807
RESULT								
Segment loss	**(276)**	(523)	**(138,918)**	(9,655)	**(652)**	(8)	**(139,846)**	(10,186)
Unallocated income							**13,025**	475
Unallocated expenses							**(35,607)**	(14,551)
Finance costs							**(36,461)**	(13,506)
Loss before taxation							**(198,889)**	(37,768)

Segment loss represents the loss from each segment without allocation of central administrative expenses, directors' emoluments, interest income and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Continuing operations		
Banking and finance systems integration services	**35,387**	26,373
Mining operation	**1,319,165**	1,403,077
Others	**6,883**	–
Total segment assets	**1,361,435**	1,429,450
Unallocated	**202,890**	287,150
Consolidated assets	**1,564,325**	1,716,600

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
– effective interest expense on convertible loan notes *(Note 12)*	**36,461**	1,099
– promissory notes	**–**	12,032
– other borrowings	**–**	375
	36,461	13,506

5. INCOME TAX

The major components of income tax (credit) expense in the condensed consolidated income statement are:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprises Income Tax		
– current	**109**	22
Deferred tax	**(12,957)**	–
Income tax (credit) expense	**(12,848)**	22

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used is 25% for the periods under review.

No provision for Hong Kong Profits Tax and Mongolia corporate income tax have been made for subsidiaries established in Hong Kong and Mongolia, respectively as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax and Mongolia corporate income tax during both periods under review.

6. LOSS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Costs of inventories sold	**16,416**	3,270
Depreciation of plant and equipment	**1,040**	1,115
Loss on disposal of plant and equipment	**–**	108
Staff costs (including directors' emoluments)		
– Wages and salaries	**13,751**	14,039
– Retirement benefit schemes contribution	**1,219**	1,043

7. DIVIDENDS

No dividend was paid, declared or proposed during the reporting period (2010: nil).

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share	**(185,827)**	(37,051)

	2011	2010
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**857,725,029**	563,823,458

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**185,827**	37,051
Add: Profit for the period from discontinued operations	**–**	559
Loss for the purposes of basic loss per share from continuing operations	**185,827**	37,610

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operations

Basic earnings per share for the discontinued operations for the six months ended 30 June 2010 is HK0.10 cents per share based on the profit for the period from the discontinued operations attributable to the owners of the Company of approximately HK$559,000 and the denominators detailed above for basic loss per share.

The computation of diluted loss per share for the six months ended 30 June 2011 and 2010 does not assume the exercise of the outstanding share options, the conversion of the convertible loan notes and the conversion of convertible preference shares since their exercise are anti-dilutive and would result in a decrease in loss per share. The basic and diluted loss per share are the same.

9. MINING RIGHTS

	HK$'000
COST	
At 1 January 2010	1,518,791
Additions during the period	2,527
Acquired from acquisition of a subsidiary	32,610
At 31 December 2010, 1 January 2011 and 30 June 2011	1,553,928
AMORTISATION AND IMPAIRMENT	
At 1 January 2010	–
Amortisation provided for the year	2,036
Impairment provided for the year	287,500
At 31 December 2010 and 1 January 2011	289,536
Amortisation provided for the period	267
Impairment provided for the period	129,300
At 30 June 2011	419,103
CARRYING AMOUNTS	
At 30 June 2011	1,134,825
At 31 December 2010	1,264,392

The mining rights represent mining licenses 15333A for the iron ore mine and 15449A for the alluvial gold mines located in Mongolia. The mining licenses will expire on 4 December 2039 and 1 February 2040, respectively.

Amortisation of approximately HK$267,000 was capitalised in the finished goods for the six months ended 30 June 2011 (year ended 31 December 2010: HK$2,036,000).

The management conducted an impairment review of the mining rights based on the valuation reports on the mining rights as at 30 June 2011 issued by Greater China Appraisal Limited ("Greater China"), an independent valuer, and the recoverable amount of the iron mining right was lower than its carrying amount in the condensed consolidated statement of financial position as at 30 June 2011 and therefore impairment loss of approximately HK$129,300,000 was recognised (year ended 31 December 2010: HK$287,500,000). No impairment loss was required for the gold mining right.

The recoverable amount of the mining rights was determined from value-in-use calculations. The Group prepared cash flow forecast derived from the most recent available financial budgets approved by management and cash flows beyond the six-year period are extrapolated using zero growth rate over thirty-five years. In preparing the forecasts, management made reference to the mineral reserves which was verified according to the technical report issued by SRK Consulting China Ltd ("SRK"). The key assumptions for the value-in-use calculation are those regarding discount rates, anticipated changes to future selling prices and production capacity and mineral reserves, as follows:

– Management used a discount rate which was derived as the Company's weighted average cost of capital, representing the expected return on the Company's capital, and assigned the discount rate of 23.71% for the period ended 30 June 2011 (31 December 2010: 23.95%).

– Future selling prices were estimated with reference to existing and past quoted commodity prices of the mining industry.

– Estimated production capacity and mineral resources were quoted with reference from the technical report issued by SRK.

10. TRADE AND OTHER RECEIVABLES

The Group allows average credit periods ranging from 30 days to 180 days to its trade customers. The following is an analysis of trade receivables by age, presented based on invoice date (net of allowance for bad debts and doubtful debts):

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within 90 days	**11,206**	9,878
91 days to 180 days	**3,983**	3,074
181 days to 365 days	**4,379**	3,376
Over 365 days	**5,311**	4,859
	24,879	21,187
Prepayment, deposit and other receivables	**37,326**	28,122
Total trade and other receivables	**62,205**	49,309

11. TRADE AND OTHER PAYABLES

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Trade payables		
– third parties	**1,895**	1,867
– non-controlling shareholders	**325**	325
	2,220	2,192
Accrued expenses and other payables	**44,342**	45,841
Total trade and other payables	**46,562**	48,033

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Within 180 days	**777**	749
Over 365 days	**1,443**	1,443
	2,220	2,192

12. CONVERTIBLE LOAN NOTES

On 14 September 2010, the Company issued convertible loan notes (the "Convertible Loan Notes A") which are due on 14 September 2013 with an aggregate principal amount of USD30,000,000. Convertible Loan Notes A can convert up to an aggregate of 136,764,706 ordinary shares of HK$0.01 each at the initial conversion price. The convertible loan notes are denominated in USD and entitle the subscribers to convert them into ordinary shares of the Company at any time from (and including) the date which was three months after the issue date and up to ten business days prior to the maturity date. The effective interest rate of the liability component is 26.51% per annum.

At the issue date, the Convertible Loan Notes A were bifurcated into a liability component and an equity component. The equity component was presented under the heading "Convertible bonds reserve" on initial recognition.

Subsequent to the issue date, the Company and the subscriber of Convertible Loan Notes A entered into a supplementary agreement on 29 October 2010 (the "Supplementary Agreement") to amend the adjustment mechanism to the conversion price of Convertible Loan Notes A. In accordance with the Supplementary Agreement, the conversion price of Convertible Loan Notes A will be adjusted to the average closing price of one share during the month in which the financial year-end of the Company falls in any calendar year plus a premium of 15% thereof if this price is lower than the conversion price in force. According to the Supplementary Agreement and the announcement dated 3 January 2011, the conversion price will be adjusted to HK$1.30 per share if approved by the shareholders of the Company. The Supplementary Agreement was approved by the shareholders of the Company at a special general meeting held on 18 April 2011 and the conversion price was accordingly adjusted to HK$1.30 per share. Due to the amendment of terms, the number of shares convertible by Convertible Loan Notes A is no longer fixed. The Convertible Loan Notes A after amendment of terms, contained a derivative component in addition to the liability component.

The equity component previously recognised in the Convertible bonds reserve was derecognised and transferred to the accumulated losses of the Company. The derivative component of the Convertible Loan Notes A was classified as financial liabilities at fair value through profit or loss after the amendment became unconditional and was recognised as "loss on amendment of terms of convertible loan notes."

On 12 November 2010, the Company issued further convertible loan notes (the "Convertible Loan Notes B" and the "Convertible Loan Notes C"), both are due on 12 November 2013 with principal amounts of USD10,000,000 and USD3,000,000, respectively. The Convertible Loan Notes B and the Convertible Loan Notes C can convert up to 45,588,235 and 13,676,471 ordinary shares at HK$0.01 each, respectively at the initial conversion price. The convertible loan notes are denominated in USD and entitle the subscribers to convert them into ordinary shares of the Company at any time from (and including) the date which was three months after the issue date and up to ten business days prior to the maturity date.

The conversion price of Convertible Loan Notes B and C will also be adjusted to the average closing price of one share during the month in which the financial year-end of the Company falls in any calendar year plus a premium of 15% thereof if this price is lower than the conversion price in force.

On 3 January 2011, the conversion price of the Convertible Loan Notes B and C was adjusted from HK$1.70 per share to HK$1.30 per share. The details of the adjustments are set out in the Group's announcement dated 3 January 2011.

As at 30 June 2011, the Convertible Loan Notes A, B and C can convert up to 178,846,153, 59,615,384 and 17,884,615 ordinary shares of HK$0.01 each, respectively at the adjusted conversion price. None of the 2010 Convertible Loan Notes were converted into ordinary shares of the Company during the six months ended 30 June 2011.

Convertible Loan Notes B and C contain a derivative component in addition to the liability component and the derivative component of the convertible loan notes was classified as financial liabilities at fair value through profit or loss on initial recognition.

The fair value of the derivative components of each of Convertible Loan Notes A, B and C are estimated at the date of issuance and the end of each reporting period respectively using the option pricing model. The change in fair value of the derivative component is recognised in the consolidated statement of comprehensive income.

As one of the undertakings under the Subscription Agreements in respect of the issue of the 2010 Convertible Loan Notes, so long as the subscribers hold any outstanding amount of the 2010 Convertible Loan Notes and prior to 31 December 2014, Mr. King Jun Chih Joseph ("Mr. King") and Mr. Chan Kwan Hung ("Mr. Chan") shall remain as executive directors of the Company.

Both Mr. King and Mr. Chan have resigned from the directorship of the Company with effect from 27 January 2011 and caused a breach of one of the undertakings of the 2010 Convertible Loan Notes as announced on 27 January 2011, 9 February 2011 and 18 February 2011.

Accordingly, the subscribers of the 2010 Convertible Loan Notes have the right to demand immediate repayment of the principal amounts of the 2010 Convertible Loan Notes. As a result, the 2010 Convertible Loan Notes were classified as current liabilities from non-current liabilities in the condensed consolidated statement of financial position as at 30 June 2011. Negotiations with the subscribers of the 2010 Convertible Loan Notes not to request for early redemption are still ongoing.

The movements of the liability, equity and derivative components of the 2010 Convertible Loan Notes are set out below:

	Convertible Loan Notes A *HK$'000*	Convertible Loan Notes B *HK$'000*	Convertible Loan Notes C *HK$'000*	Total *HK$'000*
Liabilities components				
At 1 January 2011	207,910	67,709	20,331	295,950
Effective interest expenses *(Note 4)*	25,541	8,401	2,519	36,461
At 30 June 2011	233,451	76,110	22,850	332,411

	Convertible Loan Notes A *HK$'000*
Equity components	
At 1 January 2011	29,631
Derecognition of equity component of convertible loan notes	(29,631)
At 30 June 2011	–

	Convertible Loan Notes A *HK$'000*	Convertible Loan Notes B *HK$'000*	Convertible Loan Notes C *HK$'000*	Total *HK$'000*
Derivative components				
At 1 January 2011	–	11,292	3,878	15,170
Loss on amendment of terms of convertible loan notes	24,166	–	–	24,166
Change in fair value	(8,875)	(2,772)	(940)	(12,587)
At 30 June 2011	15,291	8,520	2,938	26,749

The fair value of the derivative components are estimated at the date of issuance and the end of each reporting period respectively using the option pricing model. The changes in fair value of the derivative components are recognised in the condensed consolidated income statement.

The derivative components of Convertible Loan Notes A were revalued at 18 April 2011, the date when the amendment of terms became unconditional and at 30 June 2011, based on the valuation performed by Greater China, using the option pricing model. The significant inputs to the models were as follows:

	30 June 2011	18 April 2011
Spot price	1.30	1.30
Risk free rate	0.6624%	1.0119%
Expected option period	2.21	2.41
Expected volatility	42.04%	44.34%

The derivative components of Convertible Loan Notes B and C were revalued at the date of issuance (12 November 2010) and at 30 June 2011 and based on the valuation performed by Greater China, using the option pricing model. The significant inputs to the models were as follows:

	30 June 2011	**12 November 2010**
Spot price	1.30	1.70
Risk free rate	0.7188%	0.7941%
Expected option period	2.37	3.00
Expected volatility	42.04%	46.87%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the period in review, we mainly focused on advancing our operational plans for the iron and gold mining businesses in Mongolia. In terms of corporate activities, a framework agreement for the acquisition of two additional iron mines in Mongolia, was terminated on 25 May 2011 based on mutual agreement. The Group did not complete any acquisitions of mining and resources businesses during the six months ended 30 June 2011. The maiden sale of our first batch of gold products from last year's trial production was the highlight for the period.

Iron mining

The Group owns a 99.99% interest in Golden Pogada LLC ("Golden Pogada"), which holds a mining right license for a 12.01 sq-km iron ore mine located in south-central Mongolia (the "Oyut Ovoo Mine").

The Group faced some unexpected challenges during the first six month of 2011, in its efforts to establish a formal production plan for its iron mining operation. Mongolia experienced another cold and extended winter season which caused some delays to the preparation work for the commencement of trial production at the Oyut Ovoo Mine. Nevertheless, we were able to carry out some trial productions in May using the dry processing equipment which we had installed last year as reported in our 2010 Annual Report. However, towards the end of May, Mongolia experienced a nation-wide diesel supply shortage due to drastically reduced diesel imports from Russia, Mongolia's main diesel supplier. The severe diesel shortage problem pressured the Mongolian government to tightly ration fuel sales to mining companies during that period. Aside from the diesel shortage situation, we also encountered some technical problems with our production equipment and machineries and are in the process of resolving them. As such, the trial production at the Oyut Ovoo Mine has been temporarily halted. Amid all the challenges, we have managed to produce approximately 13,000 tonnes of iron ore products during the trial production phase up to 30 June 2011. However, we have not sold any iron ore products during the period in review.

The abovementioned diesel problem and macro-economic factors not only affected the progress of the Group's mining operation but also delayed the overall construction progress of the transit and loading dock (the "Docking Facility") near the Choir train station, and the rail extension line linking the Docking Facility to the main rail line of the Choir station (the "Extension Line"). Choir, is a major transportation hub on the Trans-Mongolian Railway and the closest railway station to the Oyut Ovoo Mine. The strategic location of the Docking Facility will be instrumental in facilitating the delivering of bulk mineral resources from the Oyut Ovoo Mine as well as other mines around the area, from the Choir train station to the PRC market. We will continue to work closely with CRMI on the construction work to ensure that the Docking Facility and the Extension Line are successfully completed.

Gold mining

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

After the end of the winter season, the Group immediately began preparation work and topsoil excavation for the commencement of mining operations at the Gold Mines. However, the preparation work at the Gold Mines was also hampered by the nation-wide diesel shortage during the months of May and June and we were only able to commence production at the Gold Mines in July 2011. We hope to recover some of the lost productivity during the inactive period, in the second half of the year, however for the first six months of 2011, there were no productions from the Gold Mines.

The raw alluvial gold previously recovered from the Gold Mines during the trial production last year was successfully sold during the period. After undergoing testing for purity, the gold was weighed and made into 5kg-gold bars which were sold to the Trade and Development Bank of Mongolia.

Coal Trading and Logistics

To further expand our goals to become a gateway for resources between China and Mongolia, the Group diversified into the coal trading and logistics business towards the end of 2010. During the period under review, we put dedicated efforts into the setting up of our new operations at both the Ceke and Gants Mod border crossings. Ceke and Gants Mod are two main border crossings for the transportation of coal at the Sino-Mongolian border in the coal-rich South Gobi region.

In June 2011, a non-wholly owned Mongolian subsidiary of the Group, Global Link Logistics LLC ("GLL"), entered into a coal transportation agreement with a Mongolian coal mining company, whereby GLL has agreed to transport the coal products from one of its coal mines to the unloading station near the Gants Mod border using heavy-duty trucks. In meeting its undertakings on the agreement, GLL has purchased a fleet of heavy-duty trucks made for coal transportation and has set up an operation camp site near the coal mine. It recently completed a logistics test run for the transportation of approximately 400 tons of coal and it hopes to be able to commence formal operation shortly.

For the Ceke operation which will involve both road and rail transportation, we expect to initiate a logistics trial run around the third quarter of this year upon completion of operational and logistics set up.

During the period in review, this new business segment has not yet generated any income. We believe that the logistics business has potential in Mongolia as the country currently lacks a robust logistics infrastructure and an efficient transportation system, however, we will need to incur more time and capital into the setting up of this business before it can start generating profits for the Group.

* *For identification only*

Banking and finance systems integration services

The banking and finance systems integration businesses of the Group is carried out by its wholly-owned subsidiary, Topasia Computer Limited and its subsidiaries (the "Topasia Group").

The PRC's 2010 GDP growth rate of 10.3% brought economic growth back to the double digit pre-global recession pace. Even as the PRC Government ended the fiscal stimulus program at the beginning of 2011 due to the escalating inflation pressures, the spillover effects of a robust economy, strong investment and abundant liquidity yielded a higher turnover for the Topasia Group for the first half of 2011 compared to the same period last year. The Topasia Group managed to secure new equipment sales from two of its long term banking customers as well as some additional revenue from the sales of ATM parts and postage mailing machines manufactured by Pitney Bowes Inc., during the first half of the year. It was also able to marginally increase its maintenance and technical support revenue even though the competition within the maintenance services sector remains intensive.

However, despite an increase in revenue, the gross profit margins for the Topasia Group declined for the first six months of 2011 as compared to the same period last year. The flocking by small-sized equipment manufacturers into the after-sales market drove prices down to new record low hence diminishing already thin margins. The preliminary tightening of the PRC monetary policies, in the beginning of the year, to counter the high inflationary rate in the PRC economy, was a welcomed reprieve. However, the rising trends of commodity prices and labor costs in the PRC in spite of the Government's preliminary measures contributed to the Topasia Group's net loss position.

In June, the Chinese Government raised its benchmark interest rates for a third time and further tightening measures are expected during the second half of the year, to cool the country's high inflation. However, if the economy slows down as a result, the central Government's monetary tightening decision will likely to shift. As such, until the current inflationary climate starts to decline, the Topasia Group does not expect its results to improve in the second half of the year.

Outlook

As previously mentioned, we have had to overcome many unpredictable challenges in our iron mining operation during the first six months of 2011. For the second half year, our focus will be to fully resolve the technical issues together with the equipment supplier and to carry out further testing and fine tuning of the production equipment to our satisfaction. Furthermore, as reported in the 2010 Annual Report, additional time and more work are needed to obtain the necessary approval of water usage from the local government for the required scale of operation at the iron mine. Currently, we are using the dry processing method to produce iron ore products which are of lower iron content than those which are produced using the wet processing method. We intend to carry out further work to apply for the necessary water usage amount to set up our wet processing production line.

We commenced formal production at the Gold Mines in July this year, and the operation has thus far not encountered any significant interruptions. We have produced and sold another batch of gold products in August. Our modus operandi is to produce and sell within a short interval so as to reduce the security costs of safeguarding our gold inventories and reducing our risks from carrying these valuable stocks.

For the coal trading and logistics business, we intend to commence operation shortly but it is still in the early stages and may take some time for the business to develop.

As always, our main goal is to generate greater value for our shareholders, and as such, we will continue to be active in identifying and seeking attractive opportunities for the Group.

FINANCIAL REVIEW

Review of Results

For the first six months ended 30 June 2011, the Group recorded a turnover from continuing operations of approximately HK$27,062,000 (2010: approximately HK$14,807,000), which represented an increase of approximately 83% as compared to the same period in 2010. The increase in turnover for this first half year was attributed to an increase in ATM equipment sales flowing from the strong economic growth in the PRC and the sale of our first batch of alluvial gold products recovered during last year's trial production. However, in spite of the increase in turnover, gross profit for the Group decreased marginally by approximately 6.50% mainly as a result of the lower sales margin on ATM equipment as well as the increase in the costs of inventories sold and services rendered due to inflationary pressures in the PRC.

The Group recorded an increase in its loss for the period of approximately HK$186,041,000 as compared to a loss of approximately HK$37,508,000 for the same period last year which represented an increase of approximately 396%. The reason for the increase in loss for the period was mainly due to an impairment loss recognized in respect of the iron mining right of approximately HK$129,300,000 and the finance costs attributed to the 2010 Convertible Loan Notes which were issued in the second half year of 2010. The impairment loss was made as a result of a decrease in the business enterprise value of Golden Pogada. The fair value of the business of Golden Pogada was based on a valuation report issued by Greater China. The decision to further impair the carrying value of the iron mining right was made by the Board after taking into consideration the valuation report prepared by Greater China and the challenges encountered by the iron mining operation during the period in particular, the technical issues with the production equipment which will require more time to fix, test and fine tune and accordingly, pushed back the formal production schedule.

Loss per share for the first half of 2011 were HK21.67 cents compared to HK6.57 cents per share for the same period in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

Net Debt and gearing

At 30 June 2011, the Group's gearing ratio, computed as the Group's convertible loan notes over the equity attributable to equity holders of the Group was approximately 0.32 as compared to approximately 0.24 as at 31 December 2010.

Liquidity

The Group had total cash and bank balances of approximately HK$196,421,000 as at 30 June 2011 (31 December 2010: approximately HK$259,086,000).

As explained in the Company's announcement dated 9 February 2011, its 2010 Annual Report and the circular to shareholders dated 31 March 2011, the Group breached certain undertakings of the 2010 Convertible Loan Notes. Accordingly, the subscribers of the 2010 Convertible Loan Notes have the right to demand immediate repayment of the principal amounts of the 2010 Convertible Loan Notes amounting to USD43,000,000 (or approximately HK$335,400,000) and respective unpaid accrued interest. Nevertheless, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that the negotiations with the subscribers of the 2010 Convertible Loan Notes not to request for early redemption of the 2010 Convertible Loan Notes, are still ongoing. The Group may also seek appropriate external resources providers to bring in viable assets and/or projects into the Group.

CHARGES ON ASSETS

At 30 June 2011 and 31 December 2010, the entire issued shares of Green Paradise Enterprises Ltd., was pledged to one of the convertible loan note holders.

TREASURY POLICIES

The Group generally finances its operations with internally generated resources, proceeds from the disposal of its available-for-sale investments and from equity and/or debt financing 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 shareholder funds and internally generated resources to finance their working capital requirements. Bank deposits are mainly in HK$, RMB, Mongolian Tugrik ("MNT") and USD.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no material contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

The Group had capital commitments for the acquisition of plant and machinery which were contracted but not provided for totaling HK$11,657,000 (31 December 2010: HK$18,453,000) and other commitments for an investment in a cooperation project which were contracted but not provided for totaling HK$6,552,000 (31 December 2010: HK$6,552,000).

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2011, the Group mainly earns revenue in RMB and MNT and incurs costs in HK$, RMB, MNT and USD. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any significant changes in the exchange rates of RMB against HK$, may have possible impact on the Group's results and financial positions.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed approximately 280 full time employees in Mongolia, the PRC and Hong Kong. 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, training programs and share option scheme.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, the Company has complied with the code provisions and, where appropriate, adopted the recommended best practices, as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Listing Rules, save for the deviation from Code provision A.2.1.

On 15th 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 constitutes a deviation from the Code provision A.2.1 which stipulates that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers that in view of the current operational needs of the Group, its ongoing stability and future strategic direction, it is beneficial and efficient to maintain this leadership structure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made with each of the Directors and all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2011.

By order of the Board
North Asia Resources Holdings Limited
Tse Michael Nam
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, Mr. Tse Michael Nam and Mr. Yang Xiaoqi are the executive Directors, Mr. Wu Chi Chiu is the non-executive Director and Mr. Lim Yew Kong, John, Mr. Mak Ping Leung and Mr. Leung Po Wing, Bowen Joseph (GBS, JP) are the independent non-executive Directors.