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

(Incorporated in Bermuda with limited liability)

(Stock Code: 61)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 together with the comparative figures for the corresponding year in 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	5	**86,147**	73,497
Cost of sales and services rendered		**(67,460)**	(62,025)
Gross profit		**18,687**	11,472
Other operating income	5	**1,681**	775
Selling and distribution expenses		**(7,652)**	(3,630)
Administrative expenses		**(51,929)**	(63,802)
Other operating expenses		**(1,267)**	(1,270)
Change in fair value of derivative component of convertible loan notes		**4,469**	37,561
Loss on redemption of convertible loan notes		**–**	(6,679)
Loss on amendment of terms of convertible loan notes		**(21,118)**	(24,166)
Impairment loss recognised in respect of exploration and evaluation assets		**–**	(7,645)
Impairment loss recognised in respect of mining rights		**–**	(819,000)
Finance costs	6	**(56,915)**	(70,356)

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Loss before taxation	*7*	**(114,044)**	(946,740)
Income tax	*8*	**(320)**	81,350
Loss for the year		**(114,364)**	(865,390)
Attributable to:			
Owners of the Company		**(113,732)**	(865,316)
Non-controlling interests		**(632)**	(74)
		(114,364)	(865,390)
Loss per share	*9*		
Basic and diluted (HK cents)		**(9.88)**	(86.62)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(114,364)**	(865,390)
Other comprehensive (expenses) income for the year, net of tax		
Exchange differences on translation of foreign operations	**(291)**	1,044
Total comprehensive loss for the year, net of tax	**(114,655)**	(864,346)
Total comprehensive loss attributable to:		
Owners of the Company	**(114,023)**	(864,272)
Non-controlling interests	**(632)**	(74)
	(114,655)	(864,346)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Plant and equipment		**103,041**	112,561
Finance lease receivables		**–**	1,685
Mining rights		**441,214**	441,214
Deposit for acquisition of a subsidiary		**23,088**	23,088
Goodwill		**–**	–
		567,343	578,548
Current assets			
Inventories		**7,188**	23,022
Amounts due from non-controlling interest holders		**273**	273
Trade and other receivables	*10*	**61,092**	76,178
Finance lease receivables		**–**	2,826
Amount due from a director		**187**	265
Bank balances and cash		**13,336**	33,573
		82,076	136,137
Current liabilities			
Trade and other payables	*11*	**58,824**	50,705
Amount due to a non-controlling interest holder		**306**	306
Amount due to a director		**138**	–
Other borrowing		**–**	8,000
Derivative component of convertible loan notes		**–**	1,775
Liabilities component of convertible loan notes		**293,925**	242,828
Income tax liabilities		**6,713**	6,903
		359,906	310,517
Net current liabilities		**(277,830)**	(174,380)
		289,513	404,168

	2012	2011
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**11,948**	11,380
Convertible preference shares	**20,365**	20,865
Reserves	**216,446**	330,768
Equity attributable to owners of the Company	**248,759**	363,013
Non-controlling interests	**(2)**	399
Total equity	**248,757**	363,412
Non-current liability		
Deferred tax liability	**40,756**	40,756
	289,513	404,168

1. General

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

As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

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

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The Group had net current liabilities of HK$277,830,000 as at 31 December 2012 and incurred a loss attributable to owners of the Company of approximately HK$113,732,000 for the year ended 31 December 2012. The holder of the convertible loan notes with principal amount of USD30,000,000 (equivalent to approximately HK$234,000,000) (the "US$30M CB") which had a maturity date of 13 December 2012, had given an undertaking to and covenanted with the Company that it will not request for any redemption of the whole or any part of the US$30M CB on or before 30 June 2013. The holder may request the Company to redeem the US$30M CB and the respective accrued interest after 30 June 2013 if the proposed transactions as detailed in the Company's announcement dated 8 October 2012 and circular dated 25 March 2013 are not completed successfully. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

As explained in the Company's announcement dated 8 October 2012 and circular dated 25 March 2013, among other things, the Group entered into several contracts to acquire a new coal mining business and to dispose of certain of its existing businesses, and for the alteration of certain terms of the US$30M CB (the "Proposed Transactions").

On 18 December 2012, the Company entered into a placing agreement (the "Placing Agreement") with a placing agent (the "Placing Agent") for the placing of convertible loan notes (the "New CBs") and promissory notes (the "PNs") each up to an aggregate principal amount of USD30,000,000 (equivalent to approximately HK$234,000,000) (the "Debt Placing") during the period from the date of the Placing Agreement and up to 31 December 2012 (or such later date as the parties may agree) (the "Placing Period"). The Debt Placing is subject to the successful completion of the Proposed Transactions and other conditions as stated in the Placing Agreement. Details of the Debt Placing are set out in the Company's announcement dated 18 December 2012.

As explained in the Company's announcement dated 31 December 2012, the Company and the Placing Agent mutually agreed to extend the Placing Period from 31 December 2012 to 31 January 2013. The Placing Agent successfully procured placees to subscribe for the New CBs and the PNs at the close of the Placing Period as detailed in the Company's announcement dated 1 February 2013.

The management is currently actively engaged in the completion of the Proposed Transactions and the Debt Placing. Based on a cash flow forecast prepared by the management with reference to the Group's current and new business plans and the financing plans of the Group, the Directors consider that the Group will be able to finance its future working capital and to fulfill its financial obligations as and when they fall due.

The Directors are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 December 2012 on a going concern basis, the validity of which depends on the successful completion of the Proposed Transactions and the Debt Placing.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

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

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangement[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)*-Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

[1] *Effective for annual periods beginning on or after 1 January 2013.*
[2] *Effective for annual periods beginning on or after 1 January 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

HKAS 1 requires an entity that changes in accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities but it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Hong Kong (Standing Interpretations Committee) ("HK(SIC)")-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. 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) the 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.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards do not have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

— obtain funds from one or more investors for the purpose of providing them with professional investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

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

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply HK(IFRIC)-Int 20 for the first time. However, HK(IFRIC)-Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Directors anticipate that the application of HK(IFRIC)-Int 20 will have effect on the recognition of stripping activity assets in the future. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Segment information

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

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

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

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

Segments revenues and results

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

	Banking and finance systems integration services and software solutions		Mining operation		Coal operation		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December								
TURNOVER								
Sales to external customers	**63,771**	53,138	**–**	15,931	**22,376**	4,428	**86,147**	73,497
RESULTS								
Segment loss	**(131)**	(2,282)	**(18,595)**	(857,221)	**(2,436)**	(2,298)	**(21,162)**	(861,801)
Unallocated income							**5,000**	37,659
Unallocated expenses							**(40,967)**	(52,242)
Finance costs							**(56,915)**	(70,356)
Loss before taxation							**(114,044)**	(946,740)

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 on amendment of terms of convertible loan notes, interest income and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segments assets and liabilities

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

Segment assets

	2012	2011
	HK$'000	*HK$'000*
Banking and finance systems integration services and software solutions	**45,219**	31,620
Mining operation	**567,257**	613,994
Coal operation	**15,547**	31,191
Total segment assets	**628,023**	676,805
Unallocated	**21,396**	37,880
Consolidated assets	**649,419**	714,685

Segment liabilities

	2012	2011
	HK$'000	*HK$'000*
Banking and finance systems integration services and software solutions	**41,220**	41,342
Mining operation	**2,136**	1,858
Coal operation	**994**	134
Total segment liabilities	**44,350**	43,334
Unallocated	**356,312**	307,939
Consolidated liabilities	**400,662**	351,273

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

— all assets are allocated to reportable segments other than amounts due from non-controlling interest holders, amount due from a director, bank balances and cash, and assets used jointly by reportable segments.

— all liabilities are allocated to reportable segments other than other borrowing, amount due to a non-controlling interest holder, amount due to a director, derivative component of convertible loan notes, liabilities component of convertible loan notes, income tax liabilities, deferred tax liability and liabilities for which reportable segments are jointly liable.

Other segment information

	Banking and finance systems integration services and software solutions		Mining operation		Coal operation		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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										
Amounts included in the measure of segment losses or segment assets:										
Depreciation	**166**	339	**9,655**	4,860	**2,882**	61	**1,081**	1,105	**13,784**	6,365
Addition of non-current assets *(Note)*	**249**	217	**780**	36,422	**6,491**	4,347	**–**	37	**7,520**	41,023
Impairment loss recognised in respect of trade receivables	**1,140**	1,270	**–**	–	**–**	–	**–**	–	**1,140**	1,270
Write off of other receivables	**–**	–	**127**	–	**–**	–	**–**	–	**127**	–
(Gain) loss on disposal of plant and equipment	**(8)**	(17)	**846**	108	**–**	–	**–**	(13)	**838**	78
Impairment loss recognised in respect of exploration and evaluation assets	**–**	–	**–**	7,645	**–**	–	**–**	–	**–**	7,645
Impairment loss recognised in respect of mining rights	**–**	–	**–**	819,000	**–**	–	**–**	–	**–**	819,000
Reversal of impairment loss recognised in respect of trade receivables	**(353)**	–	**–**	–	**–**	–	**–**	–	**(353)**	–
Amounts regularly provided to CODM but not included in the measure of segment losses:										
Interest income	**(176)**	(118)	**(305)**	(47)	**(76)**	(73)	**(1)**	(17)	**(558)**	(255)
Interest expenses	**–**	–	**–**	–	**–**	–	**56,915**	70,356	**56,915**	70,356
Income tax expenses (credit)	**173**	510	**2**	(81,860)	**145**	–	**–**	–	**320**	(81,350)

Note: Non-current assets exclude financial instruments.

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Mongolia.

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

	Hong Kong		Elsewhere in the PRC		Mongolia		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**–**	–	**76,147**	53,138	**10,000**	20,359	**86,147**	73,497
Non-current assets *(Note)*	**482**	1,563	**715**	843	**566,146**	574,457	**567,343**	576,863

Note: Non-current assets exclude financial instruments.

Revenue from major products and services

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

	2012	2011
	HK$'000	*HK$'000*
Sale of automatic teller machines	**43,358**	31,864
Sale of coal	**12,375**	–
Sale of mining products	**–**	15,931
Provision of logistics services	**10,000**	4,428
Rendering of computer technology services	**20,414**	21,274
	86,147	73,497

Information about major customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A[1]	**13,761**	–
Customer B[2]	**12,375**	–
Customer C[3]	**–**	15,931

[1] *Revenue from banking and finance systems integration services and software solutions*
[2] *Revenue from coal operation*
[3] *Revenue from mining operation*

5. Turnover and other operating income

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

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**55,733**	47,795
Rendering of services	**30,414**	25,702
	86,147	73,497
Other operating income		
Interest income	**531**	195
Reversal of impairment loss recognised in respect of trade receivables	**353**	–
Finance lease interest income	**27**	60
Sundry income	**321**	9
Government grant *(Note)*	**449**	511
	1,681	775

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

6. Finance costs

	2012	2011
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
— effective interest expense on convertible loan notes	**56,073**	74,864
— other borrowings	**842**	41
Total borrowing costs	**56,915**	74,905
Less: amounts capitalised	**–**	(4,549)
	56,915	70,356

Borrowing costs capitalised during the year ended 31 December 2011 arose on the general borrowing pool were calculated by applying a capitalisation rate of 26.51% per annum to expenditure on qualifying assets.

7. Loss before taxation

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,652**	1,123
Cost of inventories sold	**47,889**	48,103
Total depreciation	**13,784**	11,274
Less: depreciation capitalised as inventories	**–**	(4,909)
Depreciation charged to the consolidated income statement	**13,784**	6,365
Directors' and chief executive's emoluments	**5,228**	4,705
Exchange loss	**1,069**	381
Impairment loss recognised in respect of trade receivables	**1,140**	1,270
Write off of other receivables	**127**	–
Loss on disposal of plant and equipment	**838**	78
Payments under operating leases in respect of		
— land and buildings	**4,303**	4,877
— plant and machinery	**–**	1,188
Staff costs (excluding directors' and chief executive's emoluments)	**21,629**	23,585

8. Income tax

	2012	2011
	HK$'000	*HK$'000*
PRC Enterprise Income Tax (the "EIT")		
— current	**69**	359
— under-provision in previous years	**105**	151
Mongolia Economic Entity Income Tax (the "EEIT")		
— current	**111**	27
— under-provision in previous years	**35**	40
	320	577
Deferred tax	**–**	(81,927)
Income tax expenses (credit)	**320**	(81,350)

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

(ii) No provisions for Hong Kong Profits Tax have been made for subsidiaries established in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during both years.

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

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

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

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

The income tax expenses (credit) for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(114,044)**	(946,740)
Tax credit at rates applicable to loss in the jurisdictions concerned	**(18,107)**	(100,826)
Tax effect of income not subject to tax	**(811)**	(6,197)
Tax effect of expenses not deductible for tax purpose	**18,973**	25,339
Tax effect of tax losses and deductible temporary differences not recognised	**418**	143
Utilisation of tax losses previously not recognised	**(293)**	–
Under-provision in previous years	**140**	191
Income tax expenses (credit) for the year	**320**	(81,350)

9. Loss per share

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

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(113,732)**	(865,316)

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,150,737,334**	999,018,150

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

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the exercise price of the share options was higher than the average market price for shares for the two years ended 31 December 2012 and 2011.

The basic and diluted loss per share are the same.

10. Trade and other receivables

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**52,922**	36,875
Less: Impairment losses recognised	**(13,068)**	(12,281)
	39,854	24,594
Prepayments, deposits and other receivables	**16,600**	38,583
Trade deposits paid	**4,638**	13,001
Total trade and other receivables	**61,092**	76,178

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.

(a) 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:

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**28,350**	16,994
91 days to 180 days	**4,095**	2,192
181 days to 365 days	**1,981**	2,859
Over 365 days	**5,428**	2,549
	39,854	24,594

(b) The movements in provision for impairment losses of trade receivables were as follows:

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**12,281**	11,011
Impairment loss recognised during the year	**1,140**	1,270
Reversal during the year	**(353)**	–
At 31 December	**13,068**	12,281

(c) At the end of the reporting period, the analysis of trade receivables that were past due but not impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**Less than 90 days**	**91 to 180 days**	**181 to 365 days**	**1 to 2 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012	**39,854**	**33,476**	**1,449**	**494**	**3,795**	**640**
31 December 2011	24,594	19,834	966	1,143	1,438	1,213

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over the balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the allowance for impairment losses of trade receivables are individually impaired trade receivables with an aggregate balance of HK$13,068,000 (2011: HK$12,281,000) which have been in severe financial difficulties. During the year ended 31 December 2012, other receivables of HK$127,000 (2011: nil) which were lost contact with the Group were individually written off and recognised in consolidated income statement.

(d) As at 31 December 2012, included in the prepayments, deposits and other receivables were mainly the prepaid legal and professional fee paid for the Proposed Transactions.

As at 31 December 2011, included in the prepayments, deposits and other receivables were mainly the outstanding refund of deposit paid for terminated acquisition of certain mines of approximately HK$28,804,000, the balance was fully settled during the year ended 31 December 2012.

11. Trade and other payables

	2012	2011
	HK$'000	*HK$'000*
Trade payables		
— third parties	**2,406**	2,615
— a non-controlling interest holder	**325**	325
	2,731	2,940
Receipts in advance	**11,909**	12,981
Accrued staff costs	**7,829**	7,217
Other taxes payable	**5,623**	5,196
Accrued interests	**7,020**	–
Accrued expenses and other payables	**23,712**	22,371
	58,824	50,705

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**790**	1,383
91 days to 180 days	**387**	–
181 days to 365 days	**7**	–
Over 365 days	**1,547**	1,557
	2,731	2,940

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

12. Commitments

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

(a) Commitments under operating leases

The Group as lessee

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

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

	2012	2011
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**2,562**	4,233
In the second to fifth year inclusive	**632**	1,660
	3,194	5,893

(b) Capital commitment for investment in a cooperation project

	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for	**5,772**	6,552

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion: Fundamental uncertainty relating to going concern basis

The Group had net current liabilities of approximately HK$277,830,000 as at 31 December 2012 and the Group incurred a loss attributable to owners of the Company of approximately HK$113,732,000 for the year ended 31 December 2012. Although, subsequent to the end of the reporting period, on 18 March 2013, the holder of the convertible loan notes with principal amount of USD30,000,000 (equivalent to approximately HK$234,000,000), which was originally matured on 13 December 2012 (the "Convertible Loan Notes"), had provided an undertaking to and covenanted with the Company that it will not request for any redemption of the whole or any part of the Convertible Loan Notes on or before 30 June 2013, the convertible loan notes holder may request the Company to redeem the Convertible Loan Notes and the respective unpaid accrued interest after 30 June 2013 if the proposed transactions as detailed in the Company's announcement dated 8 October 2012 and circular dated 25 March 2013 are not completed successfully. 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.

As explained in the basis of preparation set out in Note 1 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors on a going concern basis, the validity of which is dependent on the Group's ability to have adequate cash flows to maintain its business. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the directors of the Company in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this fundamental uncertainty relating to going concern basis is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$86,147,000 (2011: approximately HK$73,497,000), which represented an increase of approximately 17% while the gross profit increased by 6%. The increase in turnover was mainly contributed by the banking and finance system integration services and software solutions segment and the coal operation segment. The increase in the turnover from the banking and finance system integration services and software solutions segment was mainly due to the successful tender of a significant long-term project and an increase in the demand for automatic teller machines ("ATM") with deposit and withdrawal capabilities. The increase in the turnover of the coal operation segment was due to the sale of the raw coal inventory and because the logistics business recorded a full year of operation this year while it only commenced operation during the second half of 2011.

The increase in gross profit was predominantly contributed by the banking and finance system integration services and software solutions segment, which increased due to the increase in turnover as well as the application of stricter cost control measures during the year. As such the gross profit margin for this segment increased marginally and it also recorded a lower segmental loss as compared to last year.

In spite of the significant increase in the turnover of the coal operation segment from a full year of operation and the sale of raw coal, the gross profit for this segment decreased and the segmental loss for this operation increased as compared to last year. The reasons were because of the escalating fuel costs and higher staff costs and depreciation charges associated with the operating of the coal trading and logistics businesses. Further analysis of the banking and finance system integration services and software solutions business and the coal trading and logistics businesses can be found in the "Business Review" section of this Report.

The Group recorded a loss of approximately HK$113,732,000 as compared to a loss of approximately HK$865,316,000 last year, which amounted to a decrease of approximately HK$751,584,000. The loss for the year 2011 was mainly due to an impairment loss of approximately HK$819,000,000 recognized in respect of the Group's iron mining business. For the current year the Group's mining businesses did not suffer any impairment losses.

As stated in the Company's 2012 Interim Report as at 30 June 2012, an impairment loss of approximately HK$1,700,000 was recognized in respect of the gold mining rights as the fair value of the gold mining rights as at 30 June 2012 as assessed by Greater China Appraisal Limited ("Greater China") was lower than its carrying value. As at 31 December 2012, the impairment loss of approximately HK$1,700,000 was reversed in accordance with HKAS 36 "Impairment of Assets" because the fair value of the gold mining business as valued by Greater China, exceeded the carrying value of the gold mining business. The reason for the increase in the fair value of the gold mining business as at 31 December 2012 as compared to 30 June 2012, was mainly due to the increase in the prices of gold during the second half of

2012. The increase in the prices of gold translated into increased forecast revenue for the gold mining business and correspondingly, an increase in the fair value of the gold mining business.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

BUSINESS REVIEW

Overview

During the year, the Company has been diligently working towards the simultaneous purchase of certain coal mines in Shanxi Province from City Bloom Limited ("City Bloom"), an independent third party; the disposal of its iron mining, coal trading and logistics businesses to Mountain Sky Resources (Mongolia) Limited ("MSM"), one of the major shareholders of the Company; and the restructuring of its existing financial obligations with its bond holder, Business Ally Investments Limited ("Business Ally"). On 12 June 2012, members of the Group contemporaneously signed several agreements to facilitate the acquisition and the disposal and subsequently, on 6 September 2012, the Company also successfully entered into agreements with Business Ally to restructure the terms of its convertible bonds. MSM and City Bloom also entered into an agreement for the sale of MSM's shares and CPS to City Bloom on 12 June 2012. Full details of the acquisition, disposal and the restructuring, among other things, are published in the announcements of the Company dated 8 October 2012, 29 November 2012, 14 December 2012, 28 February 2013, 13 March 2013 and 18 March 2013 and the Company's circular dated 25 March 2013.

Furthermore, towards the end of the year, the Company entered into the Placing Agreement to place the New CBs and the PNs each in the principal amount of up to USD30,000,000 on a best effort basis and supplemented by extension letters dated 31 December 2012 and 18 March 2013. The Placing Agent, KCG Securities Asia Limited, will receive a placing commission of 0.4 per cent of the aggregate principal amount of the New CBs and the PNs successfully placed by it. The Debt Placing further solidifies the Company's plans for the operation of the coal mines upon the completion of the acquisition.

As detailed in the Company's announcements dated 27 August 2012 and 8 October 2012 and the Company's 2012 Interim Report, the Directors was notified that Mountain Sky Resources Holdings Limited (the "Claimant") on 21 August 2012 had filed a claim (the "Claim") in the High Court of Justice of the British Virgin Islands. The Claim is against MSM, Ultra Asset International Ltd. ("Ultra Asset"), the Company, and a wholly-owned subsidiary of the Company. As it currently stands, MSM is owned as to the majority by Ultra Asset and the Claimant is a minority shareholder. The Company and the other defendants intend to strongly defend the Claim and are of the view that they have valid defence against the Claim. The Company has also obtained an expressed undertaking from Ultra Asset and MSM, pursuant to which the Company and its subsidiaries will be indemnified against, among others, all losses in connection with the Claim. Even so, the Company is not able to quantify the consequential impact (if any) of the final outcome of the Claim on the Company at this stage.

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").

As reported in our 2011 Annual Report and 2012 Interim Report, the mining operation at the Oyut Ovoo Mine has been stalled because of technical problems with the production equipment and machineries. Other obstacles have also impeded the Oyut Ovoo Mine such as a prolonged production schedule and an inability to establish the required scale of production. The infrastructure supporting the area around Oyut Ovoo Mine has not been sufficiently developed and the Group intended to build an independent loading and docking facility near the Choir station to alleviate that need, however the construction of the docking facility has also been stalled. The Group would have to bear logistics related costs for transporting the iron ore products from the Oyut Ovoo Mine to Erenhot to be sold which resulted in a shift in the cost structure and the profitability of the iron mining operation. As at the date of this Report, the mining operation at the Oyut Ovoo Mine is still suspended.

On 12 June 2012, the Group entered into a disposal agreement for the disposal of the entire issued share capital of North Asia Resources Group Limited ("NARG"), which holds the Group's 99.99% interest in Golden Pogada. Upon completion, the disposal will allow the Company to focus its resources on the operation of the new coal mines.

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 located in Khar Yamaat, Khongor and Sharin Gol Soum of Darkhan Uul aimag, Mongolia.

As reported in our 2011 Annual Report and the 2012 Interim Report, the gold mining at Khar Yammat site was suspended during the end of 2010 due to the severe inclement winter conditions. Political uncertainties surrounding the Mongolian elections and the aftermath have extended the suspension of operation during the year under review. Given the fluctuating nature of these circumstances, the Group is re-strategizing its operation and management will continue to monitor the situation in Mongolia before deciding on an opportune time to re-commence the gold mining operation.

Coal trading and logistics

The coal trading and logistics businesses of the Group are carried out by Good Loyal Group Limited ("GLG") through its subsidiary, Global Link Logistics LLC ("GLL") and NARG's subsidiary, NAR Gold Fox Group Limited ("NAR Gold Fox"). The logistics operation at the Gants Mod border crossing is operated through GLL while the coal trading business at Ceke border crossing is operated through NAR Gold Fox.

During the year in review, GLL continued to transport coal products for a Mongolian coal mining company to the Gants Mod border crossing. The Mongolian coal mining company has completed the construction of a paved road from its mine to the Gants Mod border. This new

* *For identification purpose only*

road will help increase the fleet efficiency for GLL in its future transportation of coal for the counterparty and conceivably also decrease the rate of deterioration of its truck fleet in future. Along with transporting coal, in August 2012 GLL had also concluded a contract for the transporting of cement from the Gants Mod border for a road construction company.

The onset of the wintery conditions in Mongolia during the second half of 2012 introduced a different set of issues for the company. Because of extremely low temperatures, a different blend of fuel is required for the operation of the trucks during the winter months. During that period, the region in which GLL operated experienced a drastic fuel shortage. Many logistics companies were forced to stop operating. However, GLL was able to navigate this problem through its access to certain reliable fuel providers.

GLL's operation was running relatively smoothly in 2012 and has generated consistent revenue for the Group throughout the year. However, given that GLL is still a relatively new operation, more capital investment will be required in order for this business to become profitable and in particular, towards obtaining a steady supply of fuel given that fuel supply is a primary and crucial factor to the success of a logistics operation.

NAR Gold Fox started a trial run of its business model towards the end of 2011, which was subsequently aborted as the business involved a relatively long funding cycle and substantial outlay of capital. Considering the length of time from the point of initial investment for the purchase of raw coal, coal washing, transportation, to the final receipt of payment from the washed coal buyers, NAR Gold Fox decided to put this operation on hold pending further review and strategic planning. Since the washing process had ceased, the raw coal was sold during the year under review.

The entire issued share capital of GLG and NARG will be disposed to a connected party pertaining to the terms and conditions of the disposal agreement. Both GLL's and NAR Gold Fox's businesses are still in their early stages and would require further investments of capital. The disposal of the coal trading and logistics businesses would allow the Company to focus its resources on the operation of the new coal mines upon the completion of the acquisition which are expected to contribute a more steady revenue stream to the Group.

Banking and finance systems integration services businesses

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

In 2012, the business environment has been challenging because of slower economic growth and high labor costs in the PRC. In spite of this, TopAsia Group has managed to increase its total revenue for the full year of 2012 as compared to 2011. The main drivers of growth came from increased demand by local banks for ATM with deposit and withdrawal capabilities and other financial equipment and services and the success of Topasia Group's efforts in extending its product ranges by cooperating with certain ATM and data storage equipment manufacturers to jointly secure a substantial long-term project. Part of the revenue from this project has been recognised in 2012 while the remainder will be recognised upon completion of project during 2013.

In the PRC, the ATM servicing industry is becoming more crowded but TopAsia Group has been able to maintain its ATM maintenance services revenue at a steady pace relative to last year. Despite increased price competition in the servicing space coupled with manufacturers signing contracts directly with bank branches, TopAsia Group was able to marginally increase its full year gross profit margin compared to last year through the application of stricter cost control measures on its operation to reduce the variable costs of the group.

The PRC economy for 2013 is expected to remain challenging, as the deficiency of capital, fluctuation in resource prices, and increase in labor costs continue to be major issues for the service industry. In view of this, we will continue to maintain a prudent operational strategy for the TopAsia Group's business.

OUTLOOK

Given the circumstances surrounding the iron mining operation and the start-up statuses of the coal trading and logistics businesses, the Company believes that their disposal would be beneficial for the Group's future. The focus will shift to the coal mines to be acquired which are expected to broaden the Group's revenue and asset base. From this reorganization, the Company will be able to realize more value from its capital outlays by investing in businesses that are able to generate steadier income streams and have better growth prospects. Furthermore, the restructuring of the Group's financial obligation on the US$30M CB will relief some of the Company's debt burden and the potential cash outflow which would otherwise be required for the repayment of the US$30M CB, as well as strengthen the Company's capital base.

LIQUIDITY AND FINANCIAL RESOURCES

Net assets

At 31 December 2012, the Group recorded total assets of approximately HK$649,419,000 (2011: HK$714,685,000), which were financed by total liabilities of approximately HK$400,662,000 (2011: HK$351,273,000) and total equity of approximately HK$248,757,000 (2011: HK$363,412,000). The Group's net asset value as at 31 December 2012 decreased by 32% to HK$248,757,000 as compared to approximately HK$363,412,000 as at 31 December 2011.

Gearing

At 31 December 2012, the Group's gearing ratio, computed as the Group's other borrowing and convertible loan notes over the equity attributable to equity holders of the Group was approximately 1.18 as compared to approximately 0.69 as at 31 December 2011.

Liquidity

The Group had total cash and bank balances of approximately HK$13,336,000 as at 31 December 2012 (2011: HK$33,573,000). The net cash balance as at 31 December 2012 was approximately HK$13,336,000 (2011: HK$33,573,000), as the Group does not have any bank borrowings (2011: nil).

As stated in Note 1 of the consolidated financial statements, the US$30M CB had a maturity date of 31 December 2012, however, the holder has given an undertaking to and covenanted with the Company that it will not request for any redemption of the whole or any part of the US$30M CB on or before 30 June 2013. The Group's net cash balance as at 31 December 2012 was approximately HK$13,336,000 or equivalent to approximately USD1,710,000. The Group is actively engaged in the completion of the Proposed Transactions and the Debt Placing and is confident that they will be successfully completed. Based on the working capital forecast prepared by the management with reference to the Group's current and new business plans and the Debt Placing, the Directors consider that the Company will be able to finance its working capital requirement and fulfill its financial obligations as and when they fall due.

Charges on assets

At 31 December 2012, 31 December 2011 and 31 December 2010, the entire issued shares of Green Paradise Enterprises Ltd., was pledged to the holder of the US$ 30M CB.

Treasury policies

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

Contingent liabilities and capital commitments

The Group had no material contingent liability as at 31 December 2012 (2011: nil).

The Group had no capital commitments for the acquisition of plant and machinery which were contracted but not provided for as at 31 December 2012 (2011: nil) and other commitments for an investment in a cooperation project which were contracted but not provided for totaling HK$5,772,000 as at 31 December 2012 (2011: HK$6,552,000).

Foreign exchange exposure

For the year ended 31 December 2012, the Group mainly earns revenue in RMB and MNT and incurred costs in HK$, RMB, MNT and USD. Although, the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK$, may have possible impact on the Group's results and financial positions.

Employee and remuneration policies

As at 31 December 2012, the Group employed approximately 210 full time staff 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.

Subsequent Events

On 31 January 2013, the Placing Period ended and the New CBs and PNs both in an aggregate amount of US$60 million was fully subscribed by 17 placees. As one of the placees, which is a wholly owned subsidiary of a company listed on the Stock Exchange, has conditionally agreed to subscribe for a substantial amount of the New CBs and PNs, its subscription is subject to the approval of the shareholders of its holding company at a special general meeting.

On 12 March 2013, a case management conference ("CMC") was held in the BVI to determine the length of trial for the Claim. At the CMC hearing, the judge adjourned the hearing to a later date with an order for the Claimant to submit further information with regards to, among other things, the reasons and nature of the unfair prejudicial claim as pleaded by the Claimant. The adjourned CMC has been fixed for hearing on 27 March 2013. The Company is of the view that this is a positive start to the court proceedings; however, it is too early to determine the final outcome. As advised by Walkers, the legal adviser of the Company as to BVI law, in the unlikely event that the Claim made by the Claimant against the Company could be proved, an injunction may be granted by the BVI Court to restrain the Company, its subsidiary and MSM to further proceed with the Proposed Transactions. If such injunction is granted before completion of the Proposed Transactions, the timing for completion of the Proposed Transactions may be adversely affected. In such case, each of the parties to the Proposed Transactions will have to assess the impact of the injunction and consider any revision of the terms of the Proposed Transactions as appropriate.

On 18 March 2013, the relevant parties to the acquisition, disposal and restructuring, entered into extension letters to mutually agree to extend the dates of the fulfillment of the conditions precedent of their respective agreements to 30 June 2013. Furthermore, in order to facilitate the proposed alterations of the terms and conditions of the convertible bonds, Business Ally gave an undertaking to and covenanted with the Company in their extension letters, that it will not request for any redemption of the whole or any part of the US$30M CB on or before 30 June 2013.

On 25 March 2013, the Company issued a circular to shareholders in relation to, among others, the acquisition, the disposal, the subscription of ordinary shares and convertible preference shares by Business Ally, the alteration of the terms of the existing convertible bonds and the proposed placing of the New CBs (under a specific mandate) and the PNs.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 June 1999 with clear written terms of reference. For the year ended 31 December 2012 and as at the date of this annual report, 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 Mr. Lim Yew Kong, John, (Chairman of the Audit Committee), Mr. Mak Ping Leung and Mr. Leung Po Wing, Bowen Joseph *(GBS, JP)*. Mr. Lim Yew Kong, John, the Chairman of the Audit Committee is a qualified chartered accountant from the Institute of Chartered Accountants in England and Wales. None of the members is a partner or former partner of SHINEWING (HK) CPA Limited, the Company's external auditors.

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

The Audit Committee had reviewed the Group's audited financial statements for the year ended 31 December 2012, including the disclaimer of opinion in the auditor's report thereon, and had submitted its views to the Board of Directors.

Similar to last two years, the Audit Committee and the Board of Directors accepted the Independent Auditor's report with a disclaimer of opinion as it was specifically due to the going concern issue related to the current financial obligations of the Company for the US$30M CB. In all other respects, the Independent Auditor's opinion was that the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2012, the Company has complied with the code provisions and recommended best practices of the Code except for certain deviations as set out below. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

Since 15 March 2011, Mr. Tse Michael Nam, has been the acting Chief Executive Officer, and also the Chairman of the Company. This constitutes a deviation from code provision A.2.1 of the Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers that in view of the current operational needs of the Group, its ongoing stability and the on-going transaction, it is beneficial and efficient to maintain this leadership structure.

During the year, Mr. Tse Michael Nam fulfilled his responsibilities as the Chairman of the Board, including chairing the board meetings, ensuring that the Board operates effectively and discharges its responsibilities, ensuring that good corporate governance practices and procedures, by complying with the Listing Rules, are established, facilitating effective contribution of Directors, ensuring effective communications with shareholders and ensuring constructive relations between executive and Non-Executive Directors. During the year, the Chairman has also chaired several meetings with the independent non-executive directors and the non-executive director, without the presence of the other executive director.

The Company did not establish a nomination committee which constitutes a deviation from code provision A.5 of the Code which stipulates that the issuer should establish a nomination committee. The Board considers that the appointment and removal of directors are the collective decision of the Board. Where vacancies on the Board exist, the Board will carry out the selection process by making references to the skill, experience, professional knowledge, personal integrity and time commitments of the proposed candidate, including the independence status in the case of an independent non-executive director, the Company's needs and other relevant statutory requirements and regulations. The procedures for shareholders to elect a director has been published in the Company's and the Stock Exchange's websites. During the year, there were no new appointments to the Board.

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. However, the management did not provide monthly updates to the Directors for the months of July and August due to the preparation of the interim financial statements and the intensive work involved in completing the proposed acquisition and disposal transaction.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Model Code has been adopted as the code for Directors' securities transaction for the Company. After having made specific enquiry of all the Directors, each of the Directors confirmed that he had complied with the Model Code for the year ended 31 December 2012.

PUBLICATION OF DETAILED RESULTS

The 2012 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 within the prescribed period. This announcement can also be accessed on the Company's website http://www.northasiaresources.com.

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

Hong Kong, 27 March 2013

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.