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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 2010

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 2010 together with the comparative figures for the corresponding year in 2009 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Continuing operations			
Turnover	5	**31,922**	51,705
Cost of sales and services rendered		**(21,778)**	(39,686)
Gross profit		**10,144**	12,019
Other operating income	5	**1,874**	507
Selling and distribution expenses		**(3,940)**	(3,542)
Administrative expenses		**(67,820)**	(30,436)
Other operating expenses		**(2,750)**	(4,997)
Change in fair value of derivative component of convertible loan notes		**(2,832)**	–
Impairment loss recognised in respect of goodwill		**(2,653,767)**	–
Impairment loss recognised in respect of mining rights		**(287,500)**	–
Finance costs	6	**(32,389)**	(5,029)

	Notes	2010 HK$'000	2009 HK$'000
Loss before taxation	7	**(3,038,980)**	(31,478)
Income tax	8	**28,461**	(508)
Loss for the year from continuing operations		**(3,010,519)**	(31,986)
Discontinued operations	9		
Profit (loss) for the year from discontinued operations		**282**	(156,250)
Loss for the year		**(3,010,237)**	(188,236)
Attributable to:			
Owners of the Company		**(3,009,777)**	(186,108)
Non-controlling interests		**(460)**	(2,128)
		(3,010,237)	(188,236)
Loss per share	10		
Basic and diluted *(HK cents)*			
– Continuing operations		**(438.18)**	(12.16)
– Discontinued operations		**0.08**	(58.65)
From continuing and discontinued operations		**(438.10)**	(70.81)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(3,010,237)**	(188,236)
Other comprehensive (expenses) income		
Exchange differences on translation of foreign operations	**340**	–
Exchange reserve realised on disposal of subsidiaries	**(1,677)**	–
Exchange reserve realised on deregistration of subsidiaries	**–**	1,851
Other comprehensive (expenses) income for the year, net of tax	**(1,377)**	1,851
Total comprehensive loss for the year, net of tax	**(3,011,574)**	(186,385)
Total comprehensive loss attributable to:		
Owners of the Company	**(3,011,114)**	(184,257)
Non-controlling interests	**(460)**	(2,128)
	(3,011,574)	(186,385)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment		**82,965**	3,058
Mining rights		**1,264,392**	1,518,791
Exploration and evaluation assets		**7,645**	–
Deposit for acquisition of a subsidiary		**23,088**	–
Deposit for acquisition of plant and equipment		**22,040**	–
Goodwill		**–**	2,653,767
		1,400,130	4,175,616
Current assets			
Inventories		**7,813**	819
Trade and other receivables	11	**49,309**	37,732
Amount due from a director		**262**	–
Bank balances and cash		**259,086**	27,049
		316,470	65,600
Disposal groups held for sale	9	**–**	200,925
		316,470	266,525
Current liabilities			
Trade and other payables	12	**48,033**	48,351
Amount due to a minority shareholder		**306**	306
Other borrowings		**–**	15,000
Convertible loan notes		**–**	23,082
Income tax liabilities		**6,743**	6,738
		55,082	93,477
Liabilities associated with disposal groups held for sale	9	**–**	23,843
		55,082	117,320
Net current assets		**261,388**	149,205
		1,661,518	4,324,821

	2010	2009
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**8,514**	3,315
Convertible preference shares	**23,387**	25,473
Reserves	**1,195,384**	3,613,509
Equity attributable to owners of the Company	**1,227,285**	3,642,297
Non-controlling interests	**430**	136,830
Total equity	**1,227,715**	3,779,127
Non-current liabilities		
Convertible loan notes	**295,950**	–
Derivative component of convertible loan notes	**15,170**	–
Promissory notes	**–**	394,261
Deferred tax liability	**122,683**	151,433
	433,803	545,694
	1,661,518	4,324,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 HK$.

The principal activity of the Company is investment holding. During the year, the Group were principally involved in the distribution of information technology products, agro-conservation and the cultivation of raw materials for the bio-energy industry and geological survey, exploration and development of iron, gold and other mineral deposits (mining operation) and trading of iron ore and alluvial gold.

2. Basis of preparation

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

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.

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

As details in the Company's announcements made on 9 February 2011, the Group breached the covenants of all of its outstanding convertible loan notes issued in 2010 (the "2010 Convertible Loan Notes") after the end of the reporting period. Accordingly the convertible loan notes holders have the right to demand immediate payment of the 2010 Convertible Loan Notes.

Should the 2010 Convertible Loan Notes with principal amount of approximately HK$335,400,000 be classified as current liability in the consolidated financial statements, the Group would have a net current liability of HK$74,012,000. The Group incurred a loss attributed to owners of the Company of approximately HK$3,009,777,000 for the year ended 31 December 2010; and the Group also had net operating cash outflow of approximately HK$73,000,000 for the year ended 31 December 2010. 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 and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition, the management had estimated that the Group shall have a cash outflow for the year ending 31 December 2011 based on a cash flow forecast prepared with reference to the current business and financing plans of the Group. Nevertheless, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements given that the convertible loan notes holders have confirmed that they would not request early redemption of the convertible loan notes.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2010 on a going concern basis, the validity of which is dependent on (i) the successful outcome of the Group's ongoing negotiation with the convertible loan notes holders 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 ("Negotiations") and, (ii) the Group's 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 consolidated financial statements.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS5 as part of Improvement to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First – time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statement

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the acquisition of further 9.999% equity interest in Golden Pogada LLC ("GPL") during the year, the impact of the change in accounting policy has been that the difference of approximately HK$48,194,000 between the consideration paid and the decrease in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised as gain on bargain purchase in the condensed consolidated income statement. Therefore, the change in accounting policy has resulted in increase in loss for the year of approximately HK$48,194,000 and increase in basic and diluted loss per share of HK$7.02 cents.

In respect of the deemed disposal of 39.8% equity interest in North Asia Energy Group Limited ("NAEG") during the year, the impact of the change in accounting policy has been that the difference of approximately HK$120,000 between the consideration received from the issuance of ordinary shares and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised as loss on bargain disposal in the condensed consolidated income statement. Therefore, the change in accounting policy has resulted in decrease in loss for the year of approximately HK$120,000 and decrease in basic and diluted loss per share of HK$0.02 cents.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2011.*
5 *Effective for annual periods beginning on or after 1 July 2011.*
6 *Effective for annual periods beginning on or after 1 January 2012.*
7 *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 that 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.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The Directors anticipate that the application of other new and revise 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	–	Provision of systems integration, software development, engineering, maintenance and professional outsourcing services for the banking and finance, telecommunications and public sector clients
Software solutions for banks and the public sector	–	Provision of software solutions for banks and public sectors concentrating on the banking, e-commerce and public sectors with a business focus on e-business operations and online marketplaces
Mining operation	–	Geological survey, exploration and development of iron, gold and other mineral deposits (mining operation) and trading of iron ore and alluvial gold

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 attributable to each operating segment, which comprise assets other than head office's plant and equipment, deposit for the acquisition of a subsidiary, bank balances and cash as these assets are managed on a group basis.

The Group was also involved in the provisions of IT management and support, agro-conservation and bio-energy. These operations were discontinued on 23 March 2009 and 23 November 2009 respectively *(Note 9)*.

Segment 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		Software solutions for banks and the public sector		Mining operation		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**31,584**	51,235	**338**	470	**–**	–	**31,922**	51,705
RESULTS								
Segment loss	**(1,218)**	(341)	**(20)**	(27)	**(2,966,315)**	(1,825)	**(2,967,553)**	(2,193)
Unallocated income							**172**	385
Unallocated expenses							**(39,210)**	(24,641)
Finance costs							**(32,389)**	(5,029)
Loss before taxation							**(3,038,980)**	(31,478)

The accounting policies of the reportable 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' emoluments, 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 segments.

Segment assets

	2010	2009
	HK$'000	*HK$'000*
Banking and finance systems integration services	**26,373**	31,273
Software solutions for banks and the public sector	**–**	21
Mining operation	**1,403,077**	4,175,956
Total segment assets	**1,429,450**	4,207,250
Assets relating to discontinued operations	**–**	200,674
Unallocated	**287,150**	34,217
Consolidated assets	**1,716,600**	4,442,141

Segment liabilities

	2010	2009
	HK$'000	*HK$'000*
Banking and finance systems integration services	**38,332**	41,519
Software solutions for banks and the public sector	**33**	55
Mining operation	**2,238**	2,516
Total segment liabilities	**40,603**	44,090
Liabilities relating to discontinued operations	**–**	24,045
Unallocated	**448,282**	594,879
Consolidated liabilities	**488,885**	663,014

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

– all assets are allocated to reportable segments other than bank balances and cash, deposit for the acquisition of a subsidiary, assets used jointly by reportable segments and assets associated with disposal groups held for sale.

– all liabilities are allocated to reportable segments other than other borrowings, amount due to a minority shareholder, convertible loan notes, income tax liabilities, deferred tax liabilities, promissory notes, liabilities for which reportable segments are jointly liable and liabilities associated with disposal groups held for sale.

Other segment information

	Continuing operations									
	Banking and finance systems integration services		Software solutions for banks and the public sector		Mining operation		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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										
Amount included in the measure of segment profit or loss or segment assets:										
Depreciation and amortisation	**405**	404	**–**	–	**1,424**	4	**1,074**	1,294	**2,903**	1,702
Loss on disposal of plant and equipment	**–**	–	**–**	–	**–**	–	**–**	5	**–**	5
Loss on written off of plant and equipment	**–**	–	**–**	–	**–**	–	**1,225**	–	**1,225**	–
Addition of non-current assets (excluding addition through acquisition of subsidiaries)	**47**	726	**–**	–	**84,273**	–	**4,009**	526	**88,329**	1,252
Bad debts directly written off	**–**	–	**–**	–	**2,739**	–	**–**	4,100	**2,739**	4,100
Gain on disposal of plant and equipment	**–**	(93)	**–**	–	**–**	–	**–**	–	**–**	(93)
Loss on deregistration of subsidiaries	**–**	897	**–**	–	**–**	–	**–**	–	**–**	897
Impairment loss recognised in respect of goodwill	**–**	–	**–**	–	**2,653,767**	–	**–**	–	**2,653,767**	–
Impairment loss recognised in respect of mining rights	**–**	–	**–**	–	**287,500**	–	**–**	–	**287,500**	–
Reversal of impairment loss in respect of trade and other receivables	**(517)**	–	**–**	–	**–**	–	**–**	–	**(517)**	–

Geographical information

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations of the assets are detailed below.

	Hong Kong		Elsewhere in the PRC		Mongolia		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**338**	470	**31,584**	51,235	**–**	–	**31,922**	51,705
Non-current assets	**2,739**	365	**374**	2,314	**1,397,017**	4,172,937	**1,400,130**	4,175,616

Revenue from major product and services

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

	2010	2009
	HK$'000	*HK$'000*
Sale of goods	**9,914**	28,625
Rendering of computer technology services	**22,008**	23,080
	31,922	51,705

Information about major customers

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

	2010	2009
	HK$'000	*HK$'000*
Customer A[1]	*	10,551
Customer B[1]	*	5,864

1 *Revenue from banking and finance systems integration services*

* *Less than 10%*

5. Turnover and other operating income

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Turnover		
Sale of goods	**9,914**	28,625
Rendering of computer technology services	**22,008**	23,080
	31,922	51,705
Other operating income		
Interest income	**171**	379
Gain on disposal of plant and equipment	**–**	93
Exchange gain, net	**–**	35
Reversal of impairment loss in respect of trade receivables	**517**	–
Sundry income	**234**	–
Government grant *(Note)*	**952**	–
	1,874	507
Total revenues	**33,796**	52,212

Note: Pursuant to the notices issued by the relevance government authorities, its PRC subsidiaries were entitled to enjoy subsidies for provision of specialised information technology services. There is no further condition the Group need to be fulfilled.

6. Finance costs

	2010	*2009*
	HK$'000	*HK$'000*
Continuing operations		
Interest expenses on borrowings wholly repayable within five years:		
– effective interest expense on convertible loan notes	**19,903**	3,562
– interest expense on promissory notes	**12,032**	1,418
– other borrowings	**454**	49
	32,389	5,029

7. Loss before taxation

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**950**	810
Costs of inventories sold	**10,092**	26,001
Depreciation	**2,903**	1,702
Directors' emoluments	**9,649**	8,092
Write off of other receivables	**2,739**	4,100
Loss on disposal of plant and equipment	**–**	5
Loss on deregistration of a subsidiary	**–**	897
Loss on written off of plant and equipment	**1,225**	–
Payments under operating leases in respect of land and buildings	**4,660**	1,710
Staff costs (excluding directors' emoluments)	**24,621**	16,930

8. Income tax

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprise Income Tax		
– current	**268**	467
– under–provision in previous years	**21**	41
	289	508
Deferred tax	**(28,750)**	–
Income tax (credit) expense	**(28,461)**	508

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

(ii) No provision for Hong Kong Profits Tax has 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 income tax.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation from continuing operations	**(3,038,980)**	(31,478)
Tax credit at rates applicable to loss in the jurisdictions concerned	**(478,867)**	(4,082)
Tax effect of income not subject to tax	**(131)**	(4)
Tax effect of expenses not deductible for tax purpose	**450,513**	4,549
Tax effect of tax losses and deductible temporary differences not recognised	**3**	4
Under-provision in previous years	**21**	41
Income tax (credit) expense for the year (relating to continuing operations)	**(28,461)**	508

9. Discontinued operations/disposal groups held for sale

On 23 March 2009, the Company completed the deregistration of Acacia Asia Partners Limited ("Acacia PRC") resulting in a gain of approximately HK$302,000. Following the deregistration of the operations of the IT management and support operating segment was regarded as a discontinued operation during the year ended 31 December 2009.

On 23 November 2009, the Company entered into a sale and purchase agreement with Marigold Worldwide Group Limited ("Marigold"), a company which is wholly and beneficially owned by Mr. Yam Tak Cheung who is also the beneficial owner of Integrated Asset Management (Asia) Limited, the controlling shareholder of the Company, whereby the Company has conditionally agreed to sell and Marigold has conditionally agreed to buy the entire interests in Green Global Agro-Conservation Resources Limited and Green Global Bioenergy Limited and their subsidiaries (hereinafter collectively referred to as "Disposal Groups") including the amounts owing by the Disposal Groups to the Group excluding the Disposal Groups (the "Remaining Group") for a consideration of HK$180,000,000.

The disposal was approved by the shareholders of the Company in the special general meeting held on 20 January 2010 and was completed on 24 March 2010. The assets and liabilities attributable to the business have been classified as disposal groups held for sale and are presented separately in the consolidated statement of financial position (see below). Impairment loss of HK$109,913,000 has been recognised in the consolidated income statement.

The results of discontinued operations for the period/year are as follows:

	IT management and support		Agro-conservation		Bio-energy		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**–**	–	**–**	–	**–**	–	**–**	–
Other operating income	**–**	–	**4,386**	3	**42**	194	**4,428**	197
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**–**	–	**–**	12,217	**–**	–	**–**	12,217
Administrative expenses	**–**	(21)	**(4,893)**	(29,854)	**(1,048)**	(15,954)	**(5,941)**	(45,829)
Other operating expenses	**–**	(92)	**(180)**	(1,500)	**–**	(2,485)	**(180)**	(4,077)
Loss from operations	**–**	(113)	**(687)**	(19,134)	**(1,006)**	(18,245)	**(1,693)**	(37,492)
Gain on deregistration of a subsidiary	**–**	302	**–**	–	**–**	–	**–**	302
Reversal of (loss) on remeasurement to fair value less cost to sell	**–**	–	**1,757**	(97,913)	**195**	(12,000)	**1,952**	(109,913)
Impairment loss recognised in respect of intangible assets	**–**	–	**–**	–	**–**	(6,269)	**–**	(6,269)
Share of loss of a jointly controlled entity	**–**	–	**(2)**	(3,139)	**–**	–	**(2)**	(3,139)
Finance costs	**–**	–	**–**	(326)	**–**	–	**–**	(326)
Profit (loss) before tax from discontinued operations	**–**	189	**1,068**	(120,512)	**(811)**	(36,514)	**257**	(156,837)
Income tax credit	**–**	–	**25**	98	**–**	489	**25**	587
Profit (loss) for the period/year	**–**	189	**1,093**	(120,414)	**(811)**	(36,025)	**282**	(156,250)
Attributable to:								
Owners of the Company	**–**	189	**1,093**	(120,414)	**(534)**	(33,932)	**559**	(154,157)
Non-controlling interests	**–**	–	**–**	–	**(277)**	(2,093)	**(277)**	(2,093)
	–	189	**1,093**	(120,414)	**(811)**	(36,025)	**282**	(156,250)

Profit (loss) for the period/year from discontinued operations include the following:

	IT management and support		Agro-conservation		Bio-energy		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**–**	–	**–**	245	**8**	205	**8**	450
Amortisation	**–**	–	**–**	393	**–**	1,727	**–**	2,120
Depreciation	**–**	–	**–**	14	**–**	2,318	**–**	2,332
Written off of other receivables	**–**	92	**180**	1,500	**–**	–	**180**	1,592
Staff costs								
– Wages and salary	**–**	–	**–**	–	**180**	206	**180**	206
– Retirement benefits scheme contributions	**–**	–	**–**	–	**3**	11	**3**	11
Impairment loss recognised in respect of inventories	**–**	–	**–**	–	**–**	1,315	**–**	1,315
Impairment loss recognised in respect of trade and other receivables	**–**	–	**–**	–	**–**	2,484	**–**	2,484
Interest income	**–**	–	**–**	3	**–**	135	**–**	138
Payments under operating leases in respect of land and buildings	**–**	–	**–**	49	**–**	–	**–**	49

The cash flows of the discontinued operations was as follows:

	2010	2009
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**879**	19,698
Net cash inflow (outflow) from investing activities	**2**	(23,260)
Total cash inflow (outflow)	**881**	(3,562)

No income tax charge or credit arose from the gain (loss) on the disposal of the Agro-conservation and Bio-energy, and the deregistration of the IT management and support operating segments.

The major classes of assets and liabilities of the Disposal Groups as at 31 December 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	Agro-conservation *HK$'000*	**Bio-energy** *HK$'000*	**Total** *HK$'000*
Goodwill	–	7,800	7,800
Plant and equipment	4	8,041	8,045
Deferred plantation expenditure	109,669	–	109,669
Deposit for plantation expenditure	30,230	–	30,230
Biological assets	64,670	–	64,670
Intangible assets	14,115	58,794	72,909
Loan advanced to a minority shareholder	–	721	721
Deferred tax assets	–	489	489
Trade and other receivables	15,963	90	16,053
Bank balances and cash	40	212	252
	234,691	76,147	310,838
Remeasurement to fair value less cost to sell *(Note)*	(97,913)	(12,000)	(109,913)
Total assets reclassified as disposal groups held for sale	136,778	64,147	200,925
Interest in a jointly controlled entity	(1,139)	–	(1,139)
Other payables	(4,818)	(6,275)	(11,093)
Income tax liabilities	–	(8,082)	(8,082)
Deferred tax liabilities	(3,529)	–	(3,529)
Total liabilities associated with disposal groups held for sale	(9,486)	(14,357)	(23,843)
Non-controlling interests of Disposal Groups	–	761	761

Note: The amount of HK$109,913,000 represented the loss on remeasurement to fair value less cost to sell, which was calculated based on the difference between the aggregate net asset value of the Disposal Groups as at 31 December 2009 and the cash consideration of HK$180,000,000 and estimated transaction cost directly attributable to the transaction of approximately HK$3,679,000.

10. 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 for the year is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(3,009,777)**	(186,108)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**687,011,285**	262,843,308

From continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(3,009,777)**	(186,108)
Less: profit (loss) for the period/year from discontinued operation attributable to owners of the Company *(note 9)*	**559**	(154,157)
Loss for the year for the purpose of basic loss per share from continuing operations	**(3,010,336)**	(31,951)

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

From discontinued operation

Basic earning per share for the discontinued operation was HK0.08 cents per share (2009: Loss per share of HK58.65 cents), based on the profit for the year from the discontinued operation attributable to the owners of the Company of approximately HK$559,000 (2009: loss for the year from the discontinued operation attributable to the owners of the Company of approximately HK$154,157,000) and the denominators detailed above for basic loss per share.

The computation of diluted loss per share 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 would result in a decrease in loss per share. The basic and diluted loss per share are the same.

11. Trade and other receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**32,198**	39,195
Less: Impairment losses recognised	**(11,011)**	(11,528)
	21,187	27,667
Prepayment, deposit and other receivables	**28,122**	10,065
Total trade and other receivables	**49,309**	37,732

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 at the end of the reporting period, net of impairment losses recognised was as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**9,878**	16,089
91 days to 180 days	**3,074**	2,719
181 days to 365 days	**3,376**	4,817
Over 365 days	**4,859**	4,042
	21,187	27,667

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

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**11,528**	60,153
Recognised during the year	**–**	2,484
Amount written off as uncollectible	**–**	(30,106)
Reversal during the year	**(517)**	–
Reclassified as disposal groups held for sale	**–**	(21,003)
At 31 December	**11,011**	11,528

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

	Total	Neither past due nor impaired	Past due but not impaired			
			<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 2010	21,187	13,979	706	1,160	3,202	2,140
31 December 2009	27,667	16,621	5,530	961	2,997	1,558

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. The Group does not hold any collateral over these balances.

Included in the allowance for impairment losses of trade receivables are individually impaired trade receivables with an aggregate balance of HK$11,011,000 (2009: HK$11,528,000) which have been in severe financial difficulties. There are individually written off other receivables of HK$2,429,000 (2009: HK$5,692,000) which have been in dispute with the Group, recognised in profits or loss.

12. Trade and other payables

	2010	2009
	HK$'000	*HK$'000*
Trade payables		
– third parties	**1,867**	1,118
– minority shareholders	**325**	325
	2,192	1,443
Accrued expenses and other payables	**45,841**	46,908
	48,033	48,351

The ageing analysis of the trade payables at the end of the reporting period was as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 180 days	**749**	–
Over 365 days	**1,443**	1,443
	2,192	1,443

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.

13. 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. Lease 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:

	2010	2009
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**3,640**	1,715
In the second to fifth year inclusive	**3,988**	568
	7,628	2,283

(b) *Capital commitment for acquisition of plant and machinery*

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for	**18,453**	–

(c) *Capital commitment for investment in a cooperation project*

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for	**6,552**	21,034

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

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

The Group incurred a loss attributed to owners of the Company of approximately HK$3,009,777,000 for the year ended 31 December 2010; and the Group also had net operating cash outflow of approximately HK$73,000,000 for the year ended 31 December 2010. In addition, as explained in note 43 to the consolidated financial statements, subsequent to the end of the reporting period on 31 December 2010, the Group has breached the covenants of all the outstanding convertible loan notes issued in 2010 (the "2010 Convertible Loan Notes"). Though the 2010 Convertible Loan Notes are secured by the Group's iron mine operation and convertible preference shares, the convertible loan notes holders can request the immediate repayment of the 2010 Convertible Loan Notes with principal amount of approximately HK$335,400,000 and the respective unpaid accrued interest. 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 of note 1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful outcome of the Group's ongoing negotiations with the convertible loan notes holders 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 (the "Negotiations") and (ii) the Group's ability to have adequate cash flows to maintain its operations. Due to the uncertainty of the outcome of the Negotiations and 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 outcome of the Negotiations and the Group's future cash flows raises significant doubt about the Company'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 when they fall due and we consider that this fundamental uncertainty relating to whether the going concern basis is so extreme that we have disclaimed our opinion.

(Continued)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 Performance

The Group's continuing operations delivered a turnover of approximately, HK$31,922,000 for the year ended 31st December, 2010 (2009: approximately HK$51,705,000), which was mainly contributed by the banking and finance systems integration businesses. The 38.3 % year-on-year decrease in turnover was mainly attributed to intense price competition in the market during the year.

As a result, the gross profit from continuing operations decreased by 15.6% year on year to approximately HK$10,144,000 (2009: approximately HK$12,019,000) for the year to 31st December, 2010. However, there was an improvement in the gross profit ratio which increased from 24% to 32% due to the exercise of better control on costing during the year in review.

The Group recorded a loss attributable to equity holders of approximately HK$3,009,777,000 mainly as a result of the impairment of goodwill amounting to HK$2,653,767,000 and an impairment loss recognized in respect of mining right for iron of approximately HK$287,500,000 as a result of the decrease in the business enterprise value of Golden Pogada LLC ("Golden Pogada"). The fair value of the business of Golden Pogada was based on the valuation report issued by Greater China Appraisal Limited ("Greater China"), an independent professional valuer. The decision to impair the carrying amounts of the goodwill and mining right was made by the Board after taking into consideration Greater China's report and the challenges encountered by the mining operation during the year as a result of prolonged production schedule due to the additional time needed to obtain the necessary approval of water use from the local government for the required scale of production. This represents an increase of 16.2 times as compared to a loss of approximately HK$186,108,000 last year.

Loss per share for the year to 31st December, 2010 was HK438.10 cents, compared with a loss per share of HK70.81 cents for 2009.

During the year in review, the mining business has commenced a trial production but not yet generated any income.

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2010 (2009: Nil).

BUSINESS REVIEW

Resources Businesses

Iron ore mining

In April 2010, the Group further consolidated its interests in the Oyut Ovoo mine (the "Oyut Ovoo Mine") through the acquisition of an additional 9.999% equity interest in Golden Pogada LLC ("Golden Pogada") by way of the issue of new shares in the Company to China Railway Mongolia Investment LLC ("CRMI"), a subsidiary of China Railway Resources Group Co., Ltd. The Company now holds a 99.990% interest in Golden Pogada.

The first and second quarters of 2010 were exceptionally cold in Mongolia which posed some challenges on the operation of the Oyut Ovoo Mine. In September 2010, after the successful completion of the mine design and dry processing equipment installation, the Oyut Ovoo Mine saw the initial blasting of 20,000 tonnes of iron ore ready for trial production, paving the way for scaled iron ore production expected to commence in the first half of 2011. During the financial year in review, the iron ore mine has not yet generated any income.

Since the Group has repositioned its focus on resources development in Mongolia, transportation solution has become the main emphasis for the Group because it is a critical element to the success of mining and developing bulk mineral resources in Mongolia. As part of this solution, the Group has secured an international throughput quota with CRMI for the transportation of iron ore products from Mongolia through to China. CRMI is also at the stage of completing the overall construction of a transit and loading dock, which is located in close proximity to the train station of Choir, Govisumber aimag in Mongolia. Choir is a transportation hub along the Trans-Mongolian Railway closest to the Oyut Ovoo Mine. The construction of a rail extension line linking the dock to the main rail line of the Choir station is near completion.

Gold mining

In end of April 2010, the Group completed the acquisition of the entire interest in Dadizi Yuan LLC* ("Dadizi Yuan"). Dadizi Yuan holds mining and exploration licenses in respect of two alluvial gold mines located in Khar Yamaat (the "Gold Mines"), Khongor and Sharin Gol Soum of Darkhan Uul aimag, Mongolia.

The Gold Mines have a total mining area of approximately 20.03 sq km on which 35 drill holes with total drilling of 1,500 m covering a 1.5-sq-km area were completed.

A ground breaking ceremony for the Gold Mines was held in June 2010 in the presence of local government officials and community members. For the second half of the year, the majority of the effort has been spent on removing top soil in order to reach the alluvial gold strata. Towards the end of the year, the Group has commenced and successfully recovered approximately 1,200 grams of raw alluvial gold from the licensed area. The Group is positioned to commence commercial production of its alluvial gold after the winter months.

* *For identification purpose only*

Furthermore, as the windfall tax on gold in Mongolia is to be lifted from 1st January 2011, the Group is in a position to better capture this revenue source in the near future.

During the financial year in review, the Gold Mines has not yet commence generating any income for the Group.

New Business – Coal trading

As part of the Group's strategy to become a gateway for resources between China and Mongolia, the Group decided to expand into the coal trading business, leveraging on the transportation strength of CRMI. Together, we established a jointly invested company in December 2010. Under the shareholders' agreement governing the establishment and operations of the jointly invested company, CRMI is responsible for procuring sufficient transportation and throughput quota for 2011 from the Lin-Ce Railway Co., Ltd. to be allocated to the jointly invested company. Furthermore, the Group has signed a coal supply agreement with SouthGobi Sands LLC, a subsidiary of SouthGobi Resources Ltd., for the purchase of 450,000 tonnes of coal in 2011. The Group is currently in discussion with other coal mining companies to diversify its supply source. The scale of this business segment is expected to grow significantly once the Group has established long-term relationships with the coal suppliers.

The Management expects this business segment to contribute a healthy cash-flow to the Group in 2011 and beyond.

Agricultural Businesses

In consideration of the unsatisfactory and slower-than-expected pace of development of the agro-conservation and bio-energy businesses, and in order to focus on the new resources businesses, the Group disposed of the agro-conservation and bio-energy operations in March 2010.

Banking and finance systems integration services Businesses

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

Affected by the monetary easing measures implemented across the world, the PRC experienced asset price and labor cost hikes, increasing pressure of inflation and severe business environment in 2010. Against such backdrop, the TopAsia Group's performance from its operation of the banking and finance systems integration services businesses continued to decline as compared to previous years. Competition within the industry led to a drop in the maintenance cost per machine. On the other hand, the renewal of maintenance contracts was affected by the replacement of obsolete equipment by the customers. Furthermore, equipment manufacturers flocked to the after-sales market for better return as the profit from sales of hardware has diminished, further intensifying existing competition. These factors presented major threats to the business of the TopAsia Group.

The outlook for the TopAsia Group for 2011 remains uncertain. The main goals for the TopAsia Group will be to continue with its costs control measures and maintain its long term clients.

OUTLOOK

The Board expects 2011 to be an exciting year for the resources business as the Group shifts from the preparation stage to the production stage for both of the Group's mines. Through the trials and challenges that were experienced in 2010, the Group is confident of commencing scaled production for both the Oyut Ovoo Mine and the Gold Mines in the second quarter of 2011.

Once the rail extension line linking the dock to the main rail line of the Choir station has been completed, the Group intends to fully utilize facility for the transportation of the minerals from its mine to Choir station.

The Group's newly invested coal trading business is an exciting project that will help to diversify its revenue stream and also strengthen the Group's position as an international supplier of primary steelmaking resources to China. China's demand for steel will very likely continue to increase, which will continue to generate strong demand for the two main feedstocks, iron ore and coking coal. The coal trading and iron ore business synergism will enhance services for its end consumers and generate greater returns for its shareholders.

The Board remains confident in the prospects of the mining and resources businesses, while it acknowledges the challenges and difficulties of operating in this sector. By expanding into other businesses such as coal trading, the Group strives to maintain a diversified income stream, while positioning itself to maximize shareholders' return by continuing to be active in identifying other attractive investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

Net assets

At 31st December 2010, the Group recorded total assets of approximately HK$1,716,600,000 (2009: approximately HK$4,442,141,000), which were financed by liabilities of approximately HK$488,885,000 (2009: HK$663,014,000) and equity of approximately HK$1,227,715,000 (2009: HK$3,779,127,000). The Group's net asset value as at 31st December 2010 decreased by 66.30% to HK$1,227,285,000 as compared to approximately HK$3,642,297,000 as at 31st December 2009.

Liquidity

The Group had total cash and bank balances of approximately HK$259,086,000 as at 31st December 2010 (2009: HK$27,049,000). The net cash balance as at 31st December 2010 was approximately HK$259,086,000 (2009: HK$27,049,000), as the Group does not have any bank borrowings (2009: nil).

As explained in the "Subsequent Events" section of this announcement, the Group has breached certain convertible loan notes conditions which would entitle the subscriber of the convertible loan notes to request for early redemption of the convertible loan notes with total principal amount outstanding of approximately HK$335,400,000 and respective unpaid accrued interest. The Group has net cash balance of approximately HK$259,086,000 as at 31st December 2010. The Group is confident that by accepting and fulfilling the additional conditions requested by the subscriber of the convertible loan notes, it will be able to achieve a successful outcome on its ongoing negotiations with the subscribers of the convertible loan note. The Group may also seek appropriate external resources providers to bring in funds and/or viable assets into the Group.

As at 31st December 2010, the current ratio was 5.75 (2009: 2.27) and gearing ratio was 0.24 (2009: 0.01) which was defined as the Group's convertible loan notes over its equity attributable to equity holders of the Company.

Charges on assets

At 31st December 2010, the entire issued shares of Green Paradise Enterprises Ltd. was pledged to convertible loan noteholders. At 31st December 2009, no fixed deposits were pledged to banks to secure banking facilities

Treasury policies

The Group generally finances it operations with internally generated resources, proceeds from the disposal of its available-for-sale-investments, from equity fund raising activities and from raising convertible loan notes. All financing methods, including equity, debt and other means, 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$"), Renminbi ("RMB") and United States dollars ("US$").

Contingent liabilities and capital commitments

The Group had no material contingent liability as at 31st December, 2010.

The Group had capital commitments for the acquisition of plant and machinery which were contracted but not provided for totaling HK$18,453,000 (2009: nil) and other commitments for an investment in a cooperation project which were contracted but not provided for totaling HK$6,552,000 (2009: HK$21,034,000).

Foreign exchange exposure

For the year ended 2010, the Group mainly earns revenue in Renminbi and incurs costs in HK$, RMB and US$. Although, the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future since the HK$ and US$ are pegged. However, any permanent or significant changes in the pegged system or 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 31st December 2010, the Group employed approximately 240 full time staff in the Mainland China, Hong Kong and Mongolia. 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

After the year end, the Company issued a circular to Shareholders dated 2 February 2011 (the "First Circular") in relation to, among others, the alterations of the terms of the US$30m convertible loan notes (the "US$30m Convertible Loan Notes"), the proposed specific mandate to be granted to the Directors to allot and issue up to 178,846,153 shares, being the total number of shares which may be issued upon conversion of the US$30m Convertible Loan Notes and the convening of a special general meeting on 23 February 2011 to vote on the resolutions. Please refer to the First Circular for further details.

Subsequent to the despatch of the First Circular, the Company has on 9th February 2011 received a letter (the "Letter") from the subscriber (the "Subscriber") of the US$30m Convertible Loan Notes and the US$10m convertible loan notes (together, the "Convertible Loan Notes") notifying the Company of the alleged breach of the terms and conditions (the "Conditions") of the Convertible Loan Notes.

Both Mr. King and Mr. Chan resigned from the directorship of the Company with effect from 27th January 2011 (the "Resignation"). It was alleged by the Subscriber that the Resignation had constituted a breach of and an event of default under, the Conditions, which would entitle the Subscriber to give notice to the Company that each of the Convertible Loan Notes is due and payable at its principal amount. In addition, it was further alleged by the Subscriber that the resignation of Mr. King had also constituted a change of control event as defined in the Conditions, which would entitle the Subscriber to require the Company to redeem all or some of the Convertible Loan Notes.

However, as a gesture of goodwill and support to the Company, the Subscriber stated in the Letter that it may not exercise its right to give notice to the Company that each of the Convertible Loan Notes is due and payable at its principal amount or the right to require the Company to redeem all or some of the Convertible Loan Notes until 31st December 2011 (or a later time as the Subscriber and the Company will mutually agree) on the following conditions:

(i) the Company shall notify the Subscriber immediately on each occasion after the Company has withdrawn US$1,000,000 or more out of the bank account (the "Account") where proceeds from the Convertible Loan Notes are credited; and

(ii) the Company shall submit to the Subscriber a copy of the bi-weekly electronic bank statements in relation to the Account within 3 business days after the end of each of the aforesaid reporting period.

On 10th February 2011, the Company decided to accept the above conditions. On 18th February 2011, the Company announced its decision to adjourn the special general meeting and to issue a supplemental circular (the "Supplemental Circular") to provide Shareholders with further information on the change of circumstances. Please refer to the announcements of the Company dated 10th February 2011 and 18th February 2011 and the Supplemental Circular for further details.

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 31st December 2010 and as at the date of this report, the Audit Committee was comprised of three members, all of whom were Independent Non-Executive Directors. The composition of the Audit Committee as at the date of this report 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 of the Audit committee 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 has reviewed the Group's audited financial statements for the year ended 31st December 2010, including the auditor's report thereon, and has submitted its views to the Board.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st December, 2010, 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.

Under Code provision A.2.1, the roles of the Chairman and the Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the period from 1st January 2010 to 28th February 2010, both roles were performed by Mr. Tse Michael Nam. On 1st March 2010, the Board elected Mr. King Jun Chih, Joseph as the Chairman of the Company and on 26th March 2010, Mr. Chan Kwan Hung was elected as the Chief Executive Officer of the Company. On 22nd October 2010, Mr. Chan Kwan Hung resigned as the Chief Executive Officer and Mr. Tse Michael Nam was appointed as the Acting Chief Executive Officer.

The Company did not establish a nomination committee. The Board considers that the appointment and removal of Directors are the collective decision of the Board and thus does not intend to adopt the recommended best practice under Code A.4.4 to establish a nomination committee. 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. During the year under review, there were four new appointments of Directors which were duly reviewed and considered by the Board prior to their respective appointments.

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 confirms that he has complied with the Model Code for the year ended 31st December, 2010.

PUBLICATION OF DETAILED RESULTS

The 2010 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 dispatched 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 order of the Board
North Asia Resources Holdings Limited
Tse Michael Nam
Chairman

Hong Kong, 28 March, 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.