CPM

中國貴金屬資源控股有限公司

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1194

CPM

Interim Report 2010

CONTENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2010 $'000	2009 $'000 (Restated)
Continuing operations			
Turnover	3	**40,698**	—
Cost of sales		**(11,570)**	—
Gross profit		**29,128**	—
Other revenue		**206**	—
Other net loss		**—**	(10)
Selling and distribution costs		**(694)**	(84)
Administrative expenses		**(11,967)**	(4,574)
Profit/(loss) from operations		**16,673**	(4,668)
Finance costs	5(a)	**—**	—
Profit/(loss) before taxation	5	**16,673**	(4,668)
Income tax	6	**(9,166)**	—
Profit/(loss) for the period from continuing operations		**7,507**	(4,668)
Discontinued operations			
Loss for the period from discontinued operations	7(a)	**(4,802)**	(8,373)
Profit/(loss) for the period		**2,705**	(13,041)
Earnings/(loss) per share	9	**HK cents**	HK cents
From continuing and discontinued operations			
Basic		**0.12**	(1.35)
Diluted		**0.12**	(1.35)
From continuing operations			
Basic		**0.33**	(0.48)
Diluted		**0.33**	(0.48)
From discontinued operations			
Basic		**(0.21)**	(0.87)
Diluted		**(0.21)**	(0.87)

The notes on pages 8 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Profit/(loss) for the period	**2,705**	(13,041)
Other comprehensive income/(loss) for the period (after tax adjustments)		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**4,686**	(32)
Decrease in fair value of available-for-sale financial asset (note 13)	**(49,883)**	—
	(45,197)	(32)
Total comprehensive loss for the period	**(42,492)**	(13,073)

The notes on pages 8 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2010 $'000	At 31 December 2009 $'000
Non-current assets			
Intangible assets	10	**430,494**	429,671
Property, plant and equipment	11	**115,440**	77,210
Construction in progress		**5,775**	1,485
Deposits for proposed acquisitions of equity interests in gold mining rights	12	**380,000**	—
Other deposits		**1,772**	1,602
Available-for-sale financial asset	13	**89,611**	—
		1,023,092	509,968
Current assets			
Inventories		**1,734**	5,912
Trade and other receivables, deposits and prepayments	14	**25,923**	9,968
Cash and cash equivalents		**541,808**	189,648
		569,465	205,528
Assets of a disposal group classified as held for sale	7(c)	**62,290**	—
		631,755	205,528
Current liabilities			
Trade and other payables	15	**21,482**	59,540
Bank loans	16	**2,941**	31,802
Tax payable		**7,581**	2,854
		32,004	94,196
Liabilities directly associated with assets of a disposal group classified as held for sale	7(c)	**14,532**	—
		46,536	94,196
Net current assets		**585,219**	111,332
Total assets less current liabilities		**1,608,311**	621,300
Non-current liabilities			
Bank loans	16	**36,059**	—
Deferred tax liabilities		**108,100**	105,787
		144,159	105,787
NET ASSETS		**1,464,152**	515,513

The notes on pages 8 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2010 $'000**	At 31 December 2009 $'000
CAPITAL AND RESERVES			
Share capital	17	**317,165**	213,215
Reserves		**1,146,987**	302,298
TOTAL EQUITY		**1,464,152**	515,513

The notes on pages 8 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Statutory reserves $'000	Warrants reserve $'000	Fair value reserve $'000	Convertible bonds reserve $'000	Capital reserve $'000	Exchange reserve $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2009	117,500	290,040	15,924	1,400	–	–	11,517	7,685	(374,411)	69,655
Changes in equity for six months ended 30 June 2009:										
Issue of new shares	10,041	20,825	–	–	–	–	–	–	–	30,866
Transaction costs attributable to issue of new shares	–	(130)	–	–	–	–	–	–	–	(130)
Equity-settled share-based transactions										
– Amount recognised during the period	–	–	–	–	–	–	35	–	–	35
– Forfeiture of share options	–	–	–	–	–	–	(140)	–	140	–
Total comprehensive loss for the period	–	–	–	–	–	–	–	(32)	(13,041)	(13,073)
At 30 June 2009	127,541	310,735	15,924	1,400	–	–	11,412	7,653	(387,312)	87,353

	Share capital $'000	Share premium $'000	Statutory reserves $'000	Warrants reserve $'000	Fair value reserve $'000	Convertible bonds reserve $'000	Capital reserve $'000	Exchange reserve $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2010	213,215	674,705	16,795	1,400	–	–	5,856	7,704	(404,162)	515,513
Changes in equity for six months ended 30 June 2010:										
Issue of new shares (note 17(a)(ii))	44,375	674,925	–	–	–	–	–	–	–	719,300
Issue of warrants (note 17(b))	–	–	–	1,250	–	–	–	–	–	1,250
Issue of convertible bonds (note 18)	–	–	–	–	–	45,989	–	–	–	45,989
New shares issued upon conversion of convertible bonds (note 17(a)(iii))	37,500	187,500	–	–	–	(45,989)	–	–	–	179,011
New shares issued upon exercise of share options (note 17(a)(iv))	5,200	15,433	–	–	–	–	(5,341)	–	–	15,292
New shares issued upon exercise of warrants (note 17(a)(v))	16,875	33,075	–	(1,350)	–	–	–	–	–	48,600
Transaction costs attributable to issue of new shares	–	(18,311)	–	–	–	–	–	–	–	(18,311)
Transfer to statutory reserve	–	–	2,319	–	–	–	–	–	(2,319)	–
Total comprehensive loss for the period	–	–	–	–	(49,883)	–	–	4,686	2,705	(42,492)
At 30 June 2010	317,165	1,567,327	19,114	1,300	(49,883)	–	515	12,390	(403,776)	1,464,152

The notes on pages 8 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Cash used in operations	**(16,324)**	(9,337)
Income tax paid	**(3,371)**	—
Net cash used in operating activities	**(19,695)**	(9,337)
Net cash used in investing activities	**(626,207)**	(173)
Net cash generated from financing activities	**997,233**	17,806
Net increase in cash and cash equivalents	**351,331**	8,296
Cash and cash equivalents at 1 January	**189,648**	6,902
Effect of foreign exchange rate changes	**829**	(37)
Cash and cash equivalents at 30 June	**541,808**	15,161

The notes on pages 8 to 36 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORTS

For the six months ended 30 June 2010 — unaudited
(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report of China Precious Metal Resources Holdings Co., Ltd. (the "Company") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively referred to as the "Group") since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the independent auditor, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

1. BASIS OF PREPARATION (Continued)

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued new and revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements 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 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners

The application of the new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. TURNOVER

Turnover represents the sales value of gold, edible oils and related products to customers net of value added tax and surcharges. The amount of each significant category of revenue recognised in turnover during the period is analysed as follows:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Continuing operations:		
Sales of gold products	**40,698**	—
Discontinued operations (note 7(a)):		
Sales of		
— Small pack edible oils	**4,667**	35,218
— Edible oils and related products	**64**	6,137
	4,731	41,355
	45,429	41,355

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The chief operating decision maker considers the business from product perspective. The Group's reportable business segments are as follows:

i) Gold mining: mining and processing of gold ores and sale of gold; and

ii) Edible oils: small pack edible oils and trading of edible oils and related products which was classified as discontinued operations during the six months ended 30 June 2010, as further detailed in note 7.

4. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings/(loss) before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as, corporate administration costs.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out on an arm's length basis. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement.

All assets and liabilities are allocated to reportable segments.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the period is set out below.

4. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Continuing operations		Discontinued operations			
	Gold Mining		Edible Oils		Total	
	For the six months ended 30 June					
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
		(Restated)		(Restated)		(Restated)
Revenue from external customers	**40,698**	–	**4,731**	41,355	**45,429**	41,355
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**40,698**	–	**4,731**	41,355	**45,429**	41,355
Reportable segment profit/(loss) (adjusted EBITDA)	**22,315**	–	**(2,107)**	(2,217)	**20,208**	(2,217)
Interest income	**35**	–	**31**	12	**66**	12
Depreciation and amortisation	**(5,677)**	–	**(1,974)**	(2,171)	**(7,651)**	(2,171)
Interest expenses	**–**	–	**(752)**	(3,997)	**(752)**	(3,997)
	At 30 June 2010	At 31 December 2009	**At 30 June 2010**	At 31 December 2009	**At 30 June 2010**	At 31 December 2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment assets	**1,592,557**	654,774	**62,290**	60,722	**1,654,847**	715,496
Reportable segment liabilities	**(176,163)**	(152,680)	**(14,532)**	(47,303)	**(190,695)**	(199,983)

4. SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Revenue		
Reportable segment revenue	**45,429**	41,355
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**45,429**	41,355
Profit/(loss)		
Reportable segment profit/(loss)	**20,208**	(2,217)
Elimination of inter-segment profits	**–**	–
Reportable segment profit/(loss) derived from the Group's external customers	**20,208**	(2,217)
Interest income	**66**	12
Depreciation and amortisation	**(7,651)**	(2,398)
Finance cost	**(752)**	(3,997)
Unallocated corporation expenses	**–**	(4,441)
Consolidated profit/(loss) before taxation	**11,871**	(13,041)

4. SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	At 30 June 2010 $'000	At 31 December 2009 $'000
Assets		
Reportable segment assets	**1,654,847**	715,496
Elimination of inter-segment assets	**–**	–
Consolidated total assets	**1,654,847**	715,496
Liabilities		
Reportable segment liabilities	**(190,695)**	(199,983)
Elimination of inter-segment liabilities	**–**	–
Consolidated total liabilities	**(190,695)**	(199,983)

(c) Information about major customers

Revenue from customers contributing 10% or more of the total sales of the Group are as follows:

	Six months ended 30 June	
	2010 $'000	2009 $'000 (Restated)
Customer A — revenue from sale of gold	**22,530**	–
Customer B — revenue from sale of edible oils	**–**	23,529
Customer C — revenue from sale of gold	**11,458**	–
Customer D — revenue from sale of gold	**6,710**	–
Customer E — revenue from sale of edible oils	**–**	5,117

4. SEGMENT REPORTING (Continued)

(d) Seasonality of operations

The Group's operations are not subject to significant seasonality or cyclicality factors.

(e) Geographical information

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
The People's Republic of China ("PRC")	**45,429**	41,355	**850,684**	508,701
Hong Kong	**–**	–	**82,797**	1,267
Overseas	**–**	–	**89,611**	–
	45,429	41,355	**1,023,092**	509,968

The revenue and non-current assets information is based on location of the customers and assets.

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
a) Finance costs:		
Continuing operations:	**–**	–
Discontinued operations (note 7(a)):		
Interest expense on bank advances and other borrowings wholly repayable within five years	**752**	1,339
Interest on loan from a related company	**–**	2,658
Total interest expenses on financial liabilities not at fair value through profit or loss	**752**	3,997

5. PROFIT/(LOSS) BEFORE TAXATION (Continued)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
b) Other items:		
Continuing operation:		
Amortisation of land lease premium	**491**	–
Amortisation of intangible assets	**3,792**	–
Depreciation	**1,394**	227
Equity-settled shared-based payment expenses	**–**	35
Loss on disposal of property, plant and equipment	**–**	3
Operating lease charges in respect of properties	**751**	414
Bank interest income	**(35)**	–
Discontinued operation (note 7(a)):		
Amortisation of land lease premium	**126**	126
Depreciation	**1,848**	2,045
Operating lease charges in respect of properties	**–**	127
Bank interest income	**(31)**	(12)
Net fair value gain on derivative financial instruments	**–**	(103)
Reversal of impairment losses on trade receivables	**(37)**	(240)

6. INCOME TAX

a) Continuing operations:

i) Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Current tax	**8,005**	–
Deferred tax	**1,161**	–
Total tax expense	**9,166**	–

ii) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Profit/(loss) before tax	**16,673**	(4,668)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to the tax jurisdiction concerned	**4,041**	(806)
Non-deductible expenses	**2,054**	633
Non-taxable incomes	**(5)**	(283)
Unrecognised timing differences	**62**	(3)
Unused tax losses not recognised	**927**	459
	7,079	–
Withholding tax (note 6(d))	**2,087**	–
Actual tax expense	**9,166**	–

6. INCOME TAX (Continued)

b) Discontinued operations (note 7(a)):

i) Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Current tax	**–**	–
Deferred tax	**–**	–
Total tax expense	**–**	–

ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
		(Restated)
Loss before tax	**(4,802)**	(8,373)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(1,200)**	(2,093)
Non-deductible expenses	**55**	3,125
Non-taxable incomes	**–**	(2,199)
Unrecognised timing differences	**(9)**	(47)
Unused tax losses not recognised	**1,154**	1,214
Actual tax expense	**–**	–

6. INCOME TAX (Continued)

c) (i) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2010 and 2009.

(ii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at 25% during the six months ended 30 June 2010, except for China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)").

China Force Oils (Zhenjiang) is entitled to exemption from the PRC income tax for two years from their first profit making year, followed by a 50% tax relief for the next three years. It had not generated any assessable profit since its date of incorporation. Under the PRC Corporate Income Tax Law with effective from 1 January 2008, China Force Oils (Zhenjiang) was forcibly considered to have commenced the tax holidays from 1 January 2008.

No provision for PRC income tax has been provided for the Group's subsidiaries in the PRC during the six months ended 30 June 2009 as they did not have any assessable profits or they had respective tax losses brought forward which exceeded the assessable profits during the six months ended 30 June 2009.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is exempted from any income tax in the Cayman Islands and the British Virgin Islands.

d) Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui (2008) No.1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax.

At 30 June 2010, deferred tax liabilities of $3,015,000 (31 December 2009: $928,000) have been recognised in respect of the tax that would be payable on the distribution of the profits of the Group's PRC subsidiaries.

7. DISCONTINUED OPERATIONS AND ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to the resolution passed at the Company's board meeting held on 12 May 2010, the Group discontinued the operations of the production and sale of small pack edible oils, trading of edible oil and related products and will dispose of its interest in these operations in the next twelve months. The assets and liabilities attributable to these operations have been classified as a disposal group held for sale as at 30 June 2010.

a) The result of the discontinued operations for the six months ended 30 June 2010 and 2009 is as follows:

	Note	**Six months ended 30 June**	
		2010	2009
		$'000	$'000
			(Restated)
Turnover	3	**4,731**	41,355
Cost of sales		**(7,090)**	(41,067)
Gross (loss)/profit		**(2,359)**	288
Other revenue		**87**	434
Other net income		**45**	–
Selling and distribution costs		**(508)**	(2,512)
Administrative expenses		**(1,315)**	(2,586)
Loss from operations		**(4,050)**	(4,376)
Finance costs	5(a)	**(752)**	(3,997)
Loss before taxation	5	**(4,802)**	(8,373)
Income tax	6	**–**	–
Loss for the period		**(4,802)**	(8,373)

7. DISCONTINUED OPERATIONS AND ASSETS/ (LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

b) The net cash flow of the discontinued operations for the six months ended 30 June 2010 and 2009 is as follows:

	Six months ended 30 June	
	2010 **$'000**	2009 $'000 (Restated)
Net cash inflow from operating activities	**42,246**	14,301
Net cash inflow/(outflow) from investing activities	**67**	(143)
Net cash outflow from financing activities	**(32,898)**	(16,927)
Net cash inflow/(outflow) incurred by the discontinued operations	**9,415**	(2,769)

c) The carrying amounts of assets/(liabilities) of a disposal group classified as held for sale are analysed as follows:

	At 30 June 2010 **$'000**	At 31 December 2009 $'000
Assets of a disposal group classified as held for sale		
Property, plant and equipment	**46,513**	—
Construction in progress	**320**	—
Inventories	**863**	—
Trade and other receivables, deposits and prepayments	**364**	—
Cash and cash equivalents	**14,230**	—
	62,290	—
Liabilities directly associated with assets of a disposal group classified as held for sale		
Trade and other payables	**(14,532)**	—
	(14,532)	—

7. DISCONTINUED OPERATIONS AND ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

d) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale

	At 30 June 2010 $'000	At 31 December 2009 $'000
Exchange difference on translation of financial statements of the disposal group	**7,304**	—

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 and 2009.

9. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

(i) The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of $2,705,000 (six months ended 30 June 2009: loss of $13,041,000) and on the weighted average number of 2,267,244,000 (six months ended 30 June 2009: 964,609,000) ordinary shares in issue during the six months ended 30 June 2010 as follows:

	Six months ended 30 June			
	2010		2009 (Restated)	
	Profit/(loss) attributable to equity holders $'000	**Weighted average number of ordinary shares '000**	Loss attributable to equity holders $'000	Weighted average number of ordinary shares '000
Continuing operations	**7,507**	**2,267,244**	(4,668)	964,609
Discontinued operations	**(4,802)**	**2,267,244**	(8,373)	964,609
	2,705		(13,041)	

(ii) Weighted average number of ordinary shares

	Number of shares	
	2010 '000	2009 '000 (Restated)
Issued ordinary shares at 1 January	**1,705,720**	940,000
Effect of issue of new shares in placements (note 17(a)(ii))	**172,265**	24,609
Effect of issue of new shares upon conversion of convertible bonds (note 17(a)(iii))	**232,044**	–
Effect of issue of new shares under share options (note 17(a)(iv))	**35,007**	–
Effect of issue of new shares upon exercise of warrant subscription rights (note 17(a)(v))	**122,208**	–
Weighted average number of ordinary shares at 30 June	**2,267,244**	964,609

9. EARNINGS/(LOSS) PER SHARE (Continued)

b) Diluted earnings/(loss) per share

i) The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity holders of $2,705,000 (six months ended 30 June 2009: loss of $13,041,000) and on the weighted average number of 2,276,895,000 (six months ended 30 June 2009: 964,609,000) ordinary shares in issue during the six months ended 30 June 2010 as follow:

	Six months ended 30 June			
	2010		2009 (Restated)	
	Profit/(loss) attributable to equity holders $'000	**Weighted average number of ordinary shares '000**	Loss attributable to equity holders $'000	Weighted average number of ordinary shares '000
Continuing operations	**7,507**	**2,276,895**	(4,668)	964,609
Discontinued operations	**(4,802)**	**2,276,895**	(8,373)	964,609
	2,705		(13,041)	

(ii) Weighted average number of ordinary shares (diluted)

	Number of shares	
	2010 '000	2009 '000 (Restated)
Weighted average number of ordinary shares at 30 June	**2,267,244**	964,609
Adjustments for:		
— warrants	**4,199**	—
— share options	**5,452**	—
Weighted average number of ordinary shares (diluted) at 30 June	**2,276,895**	964,609

(iii) The calculation of diluted loss per share did not assume the exercise of the Company's share options as the exercises of the share options would result in a reduction in loss per share during the six months ended 30 June 2009.

10. INTANGIBLE ASSETS

	Mining rights $'000
Cost	
At 31 December 2009 and 1 January 2010	431,598
Exchange adjustments	4,664
At 30 June 2010	436,262
Accumulated amortisation	
At 31 December 2009 and 1 January 2010	1,927
Charge for the period	3,792
Exchange adjustments	49
At 30 June 2010	5,768
Carrying values	
At 30 June 2010	430,494
At 31 December 2009	429,671

The Group's mining rights at 30 June 2010 are as follows:

	Mining rights	Location	Expiry date
1.	大綫梁采區	紅花溝鎮大綫梁	6 December 2010
2.	何家溝4號脈	松山區紅花溝鎮	16 September 2010
3.	6號脈	松山區	16 September 2010
4	柳家梁采區9號脈 (“the Mine Number 9”) (note (i))	赤峰松山區	22 June 2010
5	柳家梁采區10號脈	赤峰松山區紅花溝鎮	6 December 2010
6	石頭采區67號脈	赤峰紅山區城郊鄉	6 December 2010
7	張家窯子69號脈	赤峰紅山區城郊鄉	6 December 2010

Notes:

(i) The mining right of the Mine Number 9 is undergoing a renewal process. On 6 August 2010, the Group has received a notice from the Department of Land and Resources in Chifeng, Inner Mongolia in the PRC as acknowledgement of its application for renewal for the mining right of the Mine Number 9 in accordance with the PRC laws and regulations. The Company's directors are of the opinion that the right of the Group to carry on the gold mining business in the PRC will not be affected.

11. PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment and interests in leasehold land with a total cost of $87,803,000 (six months ended 30 June 2009: $173,000). No fixed assets were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: $3,000, resulting in a loss on disposal of $3,000).

(b) At 30 June 2010, certain interests in leasehold land held for own use under operating leases and buildings held for own use with a total carrying value of $80,799,000 (31 December 2009: $31,246,000) were pledged to banks for certain banking facilities granted to the Group as disclosed in note 16(a).

12. DEPOSITS FOR PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN GOLD MINING RIGHTS

At 30 June 2010, the Group paid the deposits with an aggregate amount of $380,000,000 for two proposed acquisitions of equity interests in certain subsidiaries which hold gold mining rights in Henan in the PRC. The details of the acquisitions are as follows:

(a) On 4 February 2010, the Group and Mr. King Hap Lee ("Mr. King"), an independent third party, entered into a letter of intent (the "First Letter of Intent"), pursuant to which the Group will acquire the entire equity interest in Decent Connection Overseas Limited ("Decent"), which is a company incorporated in the British Virgin Islands and wholly owned by Mr. King, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Henan in the PRC. The proposed consideration will not exceed $1,000,000,000, which will be satisfied as to one-third by cash, one-third by ordinary shares and one-third by convertible bonds of the Company in amounts to be agreed. Pursuant to the First Letter of Intent, Mr King has granted an exclusive period of six months from the date of the First Letter of Intent during which he shall not be engaged in the negotiation with any other third party for the possible acquisition of Decent (the "Exclusivity"). On 9 February 2010, the Group paid a refundable deposit of $200,000,000 to Mr. King and obtained the entire issued shares of Decent as a pledge for the deposit paid. On 3 August 2010, the Group and Mr. King entered into a supplementary agreement to extend the Exclusivity period for one month to 4 September 2010. As at the date of this report, the acquisition transaction has not been completed (note 22(c)(ii)).

12. DEPOSITS FOR PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN GOLD MINING RIGHTS (Continued)

(b) On 20 April 2010, the Group and Eastgold Capital Limited ("Eastgold"), an independent third party, entered into a letter of intent (the "Second Letter of Intent"), pursuant to which the Group will acquire the entire equity interest in Wah Heeh Holdings Limited ("Wah Heeh"), which is a company incorporated in the British Virgin Islands and wholly owned by Eastgold, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Henan in the PRC. The consideration will not exceed $900,000,000, which will be satisfied as to one-third by cash, one-third by ordinary shares and one-third by convertible bonds of the Company in amounts to be agreed. Pursuant to the Second Letter of Intent, Eastgold has granted an exclusive period of six months from the date of the Second Letter of Intent during which it shall not be engaged in the negotiation with any other third party for the possible acquisition of Wah Heeh. On 30 April 2010, the Group paid a refundable deposit of $180,000,000 to Eastgold and obtained the entire issued shares of Wah Heeh as a pledge for the deposit paid. As the date of this report, the acquisition transaction has not been completed (note 22(c)(ii)).

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	At 30 June 2010 $'000	At 31 December 2009 $'000
Listed shares overseas		
At cost	**139,494**	—
Decrease in fair value	**(49,883)**	—
	89,611	—
Market value at 30 June 2010	**89,611**	—

(a) On 3 March 2010, the Group subscribed for 79,830,585 ordinary shares of Norton Gold Fields Limited ("Norton Gold"), representing 12.76% equity interest in Norton Gold, for a consideration of Australian dollar ("AUD$") 19,957,000 ($139,494,000). Norton Gold is a limited liability company incorporated in Australia and its shares are listed in the Australian Securities Exchange Limited and it holds certain gold mines in Australia.

13. AVAILABLE-FOR-SALE FINANCIAL ASSET (Continued)

(b) On 13 August 2010, the fair value of the Group's listed shares was AUD$20,103,000 ($139,889,000), which was arrived at based on the valuation performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers. In the opinion of the directors, the decrease in the fair value of $49,883,000 is not permanent in nature and no impairment of the Group's listed shares recognised in the condensed consolidated income statement during the six months ended 30 June 2010 is required.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade debtors (net of allowance for doubtful debts) with the following ageing analysis:

	Note	**At 30 June 2010 $'000**	At 31 December 2009 $'000
Current		**2,965**	3,781
More than three months but less than twelve months past due		**–**	187
Amounts past due		**–**	187
Total trade debtors, net of allowance for doubtful debts	(a)	**2,965**	3,968
Deposits, prepayments and other receivables		**22,948**	5,990
Other deposit		**10**	10
		25,923	9,968

Note:

a) Credit evaluations are performed on all customers requiring credit over a certain amount. The debtors are due within one month from the date of billing.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Within three months	**644**	858
More than three months but less than six months	**52**	124
More than six months but less than one year	**—**	—
After one year	**968**	8,441
Trade payables	**1,664**	9,423
Accrued charges and other payables	**19,818**	39,078
Receipts in advance	**—**	11,039
	21,482	59,540

16. BANK LOANS

At 30 June 2010, the Group had bank loans repayable as follows:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Within one year or on demand	**2,941**	31,802
After one year but within two years	**2,997**	—
After two years but within five years	**3,051**	—
After five years	**30,011**	—
	39,000	31,802
Representing:		
Current portion	**2,941**	31,802
Non-current portion	**36,059**	—
	39,000	31,802

16. BANK LOANS (Continued)

(a) At 30 June 2010, the Group's bank loans were secured by the Group's property, plant and equipment with a net book value of $80,799,000 (31 December 2009: $31,246,000) (note 11(b)).

(b) At 30 June 2010, the Group's bank loans were charged at interest rate at 2.5% per annum below Hong Kong best lending rate or 1.5% per annum over Hong Kong Interbank Offered Rate, whichever is the lower. At 31 December 2009, the Group's bank loans were charged at fixed interest rate ranging from 5.31% to 6.903%.

17. CAPITAL AND RESERVES

(a) Share capital

	No. of shares '000	$'000
Authorised:		
Ordinary shares of $0.125 each		
At 31 December 2009 and 1 January 2010	3,200,000	400,000
Increase in ordinary shares (note (i))	6,800,000	850,000
At 30 June 2010	10,000,000	1,250,000
Issued and fully paid:		
Ordinary shares of $0.125 each		
At 31 December 2009 and 1 January 2010	1,705,720	213,215
Issue of new shares in placements (note (ii))	355,000	44,375
Issue of new shares upon conversion of convertible bonds (note (iii))	300,000	37,500
Issue of new shares under share options (note (iv))	41,600	5,200
Issue of new shares upon exercise of warrant subscription rights (note (v))	135,000	16,875
At 30 June 2010	2,537,320	317,165

17. CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

Notes:

(i) By an ordinary resolution passed at the annual general meeting of the Company on 1 June 2010, the Company's authorised ordinary share capital was increased from $400,000,000 to $1,250,000,000 by the creation of an additional 6,800,000,000 ordinary shares of $0.125 each. These shares rank pari passu in all respects with the then existing ordinary shares of the Company.

(ii) During the six months ended 30 June 2010, the Company issued and allotted totally 355,000,000 new ordinary shares of $0.125 each and recognised an increase in share capital and share premium of $44,375,000 and $674,925,000 respectively. These shares rank pari passu in all respects with then existing shares in issues.

- On 11 February 2010, 90,000,000 ordinary shares of $0.125 each at the issue price of $1.94 each were issued and allotted;
- On 31 March 2010, 65,000,000 ordinary shares of $0.125 each at the issue price of $1.98 each were issued and allotted; and
- On 29 April 2010, 200,000,000 ordinary shares of $0.125 each at the issue price of $2.08 each were issued and allotted.

(iii) On 11 February 2010, the convertible bonds with an aggregate principal amount of $225,000,000 were fully converted into 300,000,000 ordinary shares of the Company of $0.125 each at the conversion price of $0.75 each (note 18).

(iv) During the six months ended 30 June 2010, 41,600,000 options were exercised to subscribe for 41,600,000 ordinary shares of $0.125 each of the Company at an aggregate consideration of $15,292,000, of which $5,200,000 and $10,092,000 were credited to share capital and share premium respectively, and the credit balance of $5,341,000 attributable to these share options was transferred from capital reserve to share premium.

(v) During the six months ended 30 June 2010, 135,000,000 warrants were exercised to subscribe for 135,000,000 new ordinary shares of $0.125 each of the Company at an exercise price $0.36 per share with an aggregate consideration of $48,600,000, of which $16,875,000 and $31,725,000 were credited to share capital and share premium respectively, and the credit balance of $1,350,000 attributable to these warrants was transferred from warrant reserve to share premium (note 17(b)).

17. CAPITAL AND RESERVES (Continued)

(b) Warrants

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

On 26 September 2008, the Company issued 140,000,000 warrants at the issue price of $0.01 per warrant. Each warrant is entitled to subscribe for one new ordinary share of the Company at an exercise price of $0.36 per share for a period of two years commencing from the date of the warrants which were issued. During the period, 135,000,000 warrants were exercised to subscribe for 135,000,000 (six months ended 30 June 2009: nil) new ordinary shares of the Company (note 17(a)(v)).

On 5 May 2010, the Group and an independent placing agent (the "Warrant Placing Agent") entered into a placing and underwriting agreement, pursuant to which the Warrant Placing Agent placed 150,000,000 new non-listed warrants of the Company, which include two tranches of warrants, 100,000,000 warrants ("Warrant A") and 50,000,000 warrants ("Warrant B") at the issue price of $0.01 and $0.005 each respectively. The holder of each Warrant A and Warrant B will be entitled to subscribe for one new ordinary share of the Company at an exercise price of $2.6 and $3.2 each respectively for the subscription period from 5 August 2010 to 11 June 2014. On 11 June 2010, the Company issued 100,000,000 Warrant A and 50,000,000 Warrant B for an aggregate consideration of $1,250,000. During the six months ended 30 June 2010, no new shares were issued upon exercise of warrants.

18. CONVERTIBLE BONDS

On 11 February 2010, the Company issued convertible bonds with an aggregate principal amount of $225,000,000. The convertible bonds entitle the holder to convert the bonds into ordinary shares of the Company at the conversion price of $0.75 per share at any time on the second anniversary from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing. All convertible bonds were converted into 300,000,000 ordinary shares of the Company of $0.125 on the same date of convertible bonds which were issued.

18. CONVERTIBLE BONDS (Continued)

The movements of the convertible bonds during the period are as follows:

	Liability component $'000	Redemption option of the Company $'000	Equity component $'000	Total $'000
At 31 December 2009 and 1 January 2010	–	–	–	–
Convertible bonds issued	179,939	(928)	45,989	225,000
Conversion of convertible bonds (note 17(a)(iii))	(179,939)	928	(45,989)	(225,000)
At 30 June 2010	–	–	–	–

The liability component, the embedded derivative on redemption option and the equity component of the convertible bonds are determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professionally qualified valuers, using the binomial model. The effective interest rate of the liability component is 11% per annum.

19. COMMITMENTS

a) Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Within 1 year	**33**	588
After 1 year but within 5 years	**6**	107
	39	695

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in note 11. Apart from these leases, the Group is the lessee in respect of a number of properties for an initial period of one to five years. None of the leases includes contingent rentals.

19. COMMITMENTS (Continued)

(b) Capital commitment on acquisition of a subsidiary

As at 30 June 2010, the Group had commitment on acquisition of a subsidiary, the details of the transaction are stated in note 22(c)(i).

20. MATERIAL RELATED PARTY TRANSACTION

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Short-term employee benefits	**4,395**	2,083
Post-employment benefits	**63**	84
Equity compensation benefits	**—**	32
	4,458	2,199

21. LITIGATIONS

a) On 13 January 2009, a PRC independent third party filed a claim in a court in Tianjin, the PRC (天津經濟開發區人民法院) against a PRC subsidiary of the Group in connection with a claim against the subsidiary for construction fees payable in respect of plant and machinery of $517,000 (equivalent to RMB455,000) plus overdue interest. The subsidiary filed a counterclaim against the plaintiff. A provision of $517,000 was included in other payables in the consolidated balance sheet as at 30 June 2010.

b) On 28 May 2010, a PRC subsidiary of the Group received a summons from a court in Jiangsu, the PRC (江蘇省鎮江市京口區人民法院) (the "Jiangsu Court") that a PRC independent third party filed a claim in the Jiangsu Court against the subsidiary for construction fees payable in respect of a plant and machinery of $551,000 (RMB480,000) plus litigation costs and the Jiangsu Court judged that the subsidiary was liable to pay the amount. The bank accounts of the subsidiary with a total balance of $2,000 (RMB 2,000) at 30 June 2010 was frozen. The subsidiary filed a counterclaim against the plaintiff. A provision of $551,000 was included in other payables in the consolidated balance sheet as at 30 June 2010.

Based on the available information to date, the directors are of the opinion that no further provision for legal claims is considered necessary.

22. EVENTS AFTER THE REPORTING PERIOD

The Group had the following events after the reporting period:

(a) Exercise of warrants

On 6 July 2010, 5,000,000 warrants were exercised to subscribe for 5,000,000 ordinary shares of the Company of $0.125 each at an exercise price of $0.36 each for a total consideration of $1,800,000.

(b) Exercise of share options

On 11 August 2010, 320,000 options under the Company's pre-IPO share option scheme were exercised to subscribe for 320,000 ordinary shares of the Company of $0.125 each at an exercise price of $1.23 for a total consideration of $394,000.

(c) Acquisitions of subsidiaries

(i) On 2 June 2010, the Group and Pu Er Sheng An Di Property Company Limited (普洱聖安迪置業有限公司) (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Group agreed to acquire and the Vendor agreed to dispose of the entire equity interest in Mojiang County Mining Co., Ltd. (墨江縣礦業有限責任公司), which was incorporated in the PRC and holds certain exploitation rights for gold mines located in Mojiang in the PRC, at the consideration of RMB335,000,000 ($384,915,000) which will be satisfied by cash. On 16 August 2010, an ordinary resolution for the approval of the acquisition was passed by the Company's shareholders at the extraordinary general meeting. As at the date of this report, the acquisition transaction has not yet been completed. Further details are set out in the Company's announcement and circular dated 16 August 2010 and 30 July 2010 respectively.

(ii) As further detailed in note 12 to the interim report, the Group paid deposits for the proposed acquisitions of certain subsidiaries. As at the date of this report, the acquisition transactions have not been completed.

22. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) Acquisition of listed investment

Subsequent to the reporting period up to the date of this report, the Group acquired 6,090,128 ordinary shares of Norton Gold at an aggregate consideration of AUD$1,126,000 ($7,482,000).

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2010

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective of the annual accounting period ending 31 December 2010:

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

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adoptors[3]
HKFRS9	Financial Instruments[4]
HK(IFRIC) — Int14(Amendment)	Prepayments of a minimum Funding Requirement[2]
HK(IFRIC) — Int19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2013

24. COMPARATIVE FIGURES

Centain comparative figures have been restated in compliance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operations” from the discontinued operations of the Group’s business during the six months ended 30 June 2010.

CCIF

CCIF CPA LIMITED
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Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 36, which comprises the condensed consolidated balance sheet of China Precious Metal Resources Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 August 2010

Leung Chun Wa
Practising Certificate Number P04963

INTERIM DIVIDEND

The Directors do not declare the payment of an interim dividend (2009: Nil) in respect of the six months ended 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Group results

During the period under review, the Group's turnover from continuing operations was approximately HK$40,698,000 (2009: HK$ nil). Profit from continuing operations attributable to shareholders of the Company was approximately HK$7,507,000 (2009: loss of HK$4,668,000). Earnings per share from continuing operations amounted to HK0.33 cent (2009: loss of HK0.48 cent). The Group recorded an increase in turnover, and succeeded to achieve a turnaround, mainly attributable to contributions from the newly introduced gold mining business and the discontinuation of the loss-making business of the production and sale of small pack edible oils, trading of edible oils and related products. During the period under review, the Group recognised the turnover and net loss after taxation from the discontinued operations of approximately HK$4,731,000 (2009: HK$41,355,000) and HK$4,802,000 (2009: HK$8,373,000) respectively.

Selling and distribution costs

During the period under review, the Group's selling and distribution costs from continuing operations amounted to approximately HK$694,000 (2009: HK$84,000), representing an increase of approximately 726% over the last financial period. The increase was mainly due to the Group's commencement of the gold mining business.

Administrative expenses

During the period under review, administrative expenses from continuing operations increased to approximately HK$11,967,000 (2009: HK$4,574,000), representing an increase of 162% as compared with the last financial period. This increase was mainly due to the Group's commencement of the gold mining business.

Liquidity and financial resources

As at 30 June 2010, the Group's cash and bank deposits were HK$541,808,000 (31 December 2009: HK$189,648,000). Net assets and net current assets amounted to HK$1,464,152,000 (31 December 2009: HK$515,513,000) and HK$585,219,000 (31 December 2009: HK$111,332,000) respectively.

As at 30 June 2010, the Group had total available banking facilities amounting to HK$71,146,000 of which HK$39,000,000 had been utilised as at that date.

Capital structure

The Company issued and allotted 90,000,000 ordinary shares at the issue price of HK$1.94 per share on 11 February 2010 to five independent parties pursuant to the respective subscription agreement entered into with each party on 13 January 2010.

The Company issued and allotted 65,000,000 ordinary shares at the issue price of HK$1.98 per share on 31 March 2010 to three independent parties pursuant to the respective subscription agreement entered into with each party on 28 January 2010.

The Company issued and allotted 200,000,000 ordinary shares at the issue price of HK$2.08 per share on 29 April 2010 through placing agents to six independent placees pursuant to a placing agreement entered into on 21 April 2010.

On 11 February 2010, the Company issued convertible bonds with an aggregate principal amount of HK$225,000,000. The convertible bonds entitle the holder to convert the bonds into ordinary shares of the Company at the conversion price of HK$0.75 per share at any time on the second anniversary from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing. All convertible bonds were converted into 300,000,000 ordinary shares of the Company on the same date of convertible bonds which were issued.

During the period under review, 41,600,000 options and 135,000,000 warrants were exercised to subscribe for 41,600,000 and 135,000,000 ordinary shares of the Company.

As at 30 June 2010, the total number of issued ordinary shares of the Company was 2,537,320,000 (31 December 2009: 1,705,720,000 shares) of HK$0.125 each.

As at 30 June 2010, the Group's net debts (total bank borrowings less cash and bank balances) were HK$ nil (31 December 2009: HK$ nil).

Pledge of assets

As at 30 June 2010, all of the Group's bank loans of approximately HK$39,000,000 (31 December 2009: HK$31,802,000) were secured by the Group's property, plant and equipment with a net book value of HK$80,799,000 (31 December 2009: HK$31,246,000).

Foreign currency exposure

As the Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars, the Board is of the view that its exposure to exchange rate risk is limited.

INVESTMENTS AND ACQUISITIONS

On 1 March 2010, the Group entered into an agreement with Norton Gold Fields Limited ("Norton", a company listed in Australia), to subscribe for 79,830,585 new shares issued by Norton, representing approximately 12.76% of its issued ordinary share capital as enlarged by the subscription shares, at a total consideration of AUD$19,957,646.25, representing AUD$0.25 per subscription share. Norton owns the Paddington Gold Mines (the "Paddington Gold Mines"). For the financial year of 2009 and first half of 2010, gold production of Norton reached 135,067 oz and 76,286 oz. Norton plans to participate in the development of another gold mine project in Queensland, Australia, which is expected to add a further 30,000 to 35,000 oz of annual gold output for the company.

During the period under review, the Group continued to pursue opportunities to acquire gold minerals of high quality in China. On 2 June 2010, the Group entered into a sale and purchase agreement, pursuant to which the Group would acquire the exploitation rights to a gold mine with an area of approximately 7.2241 square kilometers and the related gold mining assets within the Mojiang Hani Minority Autonomous Prefecture in Yunan Province, PRC (the "Mojiang Gold Mine"), for a total consideration of RMB335,000,000 (equivalent to approximately HK$384,915,000). The resolution in respect of the acquisition was approved at an extraordinary general meeting held on 16 August 2010. The Mojiang Gold Mine has proven gold reserves of 16.7 tonnes with an annual output of 1,000 kilograms. Going forward, the Group aims to further increase the annual output of the Mojiang Gold Mine by 30% to 1,300 kilograms.

On 4 February 2010, the Group entered into a letter of intent to acquire a gold exploitation business located in Henan Province, at a consideration of not more than HK$1 billion which was proposed to be satisfied as to one-third by cash, one-third by new shares to be issued by the Company and one-third by convertible notes. On 3 August 2010, the Group announced that the exclusive period of this letter of intent was extended for one month. On 20 April 2010, the Group entered into another letter of intent to acquire a further gold exploitation business located in Henan Province, at a consideration of not more than HK$0.9 billion which was proposed to be satisfied as to one-third by cash, one-third by ordinary shares and one-third by convertible bonds of the Company. The gold reserves of the two afore-mentioned gold mines located at Luanchuan county of Henan Province (the "Henan Gold Mines") were not less than 55 tonnes.

Operational Review

2009 witnessed a major business restructuring for the Group. During the period under review, the board of directors of the Group has resolved to discontinue and dispose of its existing loss-making edible oil businesses, paving the way for its strategic shift of business focus to gold mining, production and sales. After a series of mergers and acquisitions, the Group is gradually transforming into a pure gold mining platform.

In September 2009, the Group completed the acquisition of gold mining businesses located in Chifeng City, Inner Mongolia, the PRC. The gold mines in Chifeng City ("Chifeng Gold Mines") are located at Song Shan District and Hong Shan District, with an aggregate exploitation area of approximately 0.926 square kilometers. According to an exploration report issued by independent experts, Chifeng Gold Mines have proven gold reserves of 15.7 tonnes at average grade of 9.72 gram per tonne. The concentrating mills operating under the Chifeng Gold Mines have a daily processing capacity of 200 tonnes of ores. During the period under review, the Group's turnover from the gold mining business was approximately HK$40,698,000, with a gross profit of HK$29,128,000.

After the approval of the acquisition of Mojiang Gold Mines by the shareholders, the transaction is expected to be completed soon. By then the Group's gold mining business will reach a meaningful scale. This also represents a significant step towards our goal of establishing a premium portfolio of gold mine assets.

Prospects

After the financial tsunami, governments across the globe have taken measures to stimulate and stabilize their weakened economy. The interest rate is therefore expected to remain at a relatively low level in the short-to-medium term despite signs of recovery of the overall economy since the end of 2009. The gold price will find support against a weak US dollar and low prevailing interest rates. During the first half of 2010, the gold price has climbed from approximately US$1,100 per ounce of early 2010 to approximately US$1,250 per ounce. In view of the strong demand for gold in China and international markets, the management is optimistic about the future expansion of our gold mining business, which will further strengthen our long term profitability.

Looking to the future, the Group aims at further developing and expanding our gold mining and sales business through capacity increases and mergers and acquisitions. In addition to the Henan Gold Mines project currently under negotiation, we will continue to seek other gold mining projects with strong investment prospects and the potential of generating stable earnings within a short term. Our mission is to increase our overall gold reserves to 200 tonnes within one to two years.

Our vision is to become one of the most outstanding gold mining companies listed on the Stock Exchange of Hong Kong. Aiming to grow into a sizable player in terms of gold reserves, the Group also focuses on achieving high production efficiency. With our outstanding management and technical teams, we will confidently stride towards our long-term goal while delivering exceptional results and stable returns to the shareholders.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 June 2010, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:—

Long positions in the Shares

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest
Mr. LIM Wa and LAM Cham	Corporate (a)	340,196,670	13.41%
Mr. CHANG Yim Yang	Corporate (b)	100,000,000	3.94%
Mr. LAM Cham	Personal (a)	7,400,000	0.29%
Mr. LIM Wa	Personal (a)	7,800,000	0.31%
Mr. DAI Xiaobing	Personal	11,000,000	0.43%
Mr. CHAN Kin Sang	Personal (c)	800,000	0.03%
Mr. WONG Lung Tak, Patrick	Personal (c)	800,000	0.03%

(a) Aswell Group Limited ("**Aswell Group**") is a company beneficially owned as to 30% by Mr. LIM Wa, as to approximately 29.4% by Mr. LAM Cham and as to approximately 40.6% by the associates of Mr. LIM Wa. Accordingly, Mr. LIM Wa and LAM Cham are taken to be interested in the Shares held by Aswell Group.

Apart from their indirect interests through Aswell Group, 7,800,000 Shares and 7,400,000 Shares are directly and beneficially owned by Mr. LIM Wa and Mr. LAM Cham respectively.

(b) Lead Pride Holdings Limited ("**Lead Pride**") is wholly-owned by Mr. CHANG Yim Yang. Accordingly, Mr. CHANG Yim Yang is taken to be interested in the Shares held by Lead Pride.

(c) Both Mr. CHAN Kin Sang and Mr. WONG Lung Tak, Patrick are independent non-executive Directors.

All the interests stated above represented long positions. As at 30 June 2010, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executive of the Company nor their associates, had any interest in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations which they are taken or deemed to have under such provision of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed their full compliance with the required standard as set out in the Model Code during the six months ended 30 June 2010.

SHARE OPTIONS SCHEMES

A share option scheme (the "**Share Option Scheme**" and another share option scheme (the "**Pre-IPO Share Option Scheme**" were adopted pursuant to written resolutions of the Shareholders passed on 18 September 2004 for the primary purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Directors and employees and for such purposes as the Board may approve from time to time. The principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in the annual report of the Company for the year ended 31 December 2009.

During the six months ended 30 June 2010, no options have been granted under the Pre-IPO Share Option Scheme. Details of the share options exercised during the period and the outstanding share options as at 30 June 2010 which were granted under the Pre-IPO Share Option Scheme are as follows:—

			Number of Option Shares		
	Date of grant	Outstanding at 31 December 2009	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
Other senior management staff and employees	18 September 2004	3,120,000	2,800,000	–	320,000
Total		3,120,000	2,800,000	–	320,000

During the six months ended 30 June 2010, no options have been granted under the Share Option Scheme. Details of the share options exercised during the period and the outstanding share options as at 30 June 2010 under the Share Option Scheme are as follows:—

			Number of Option Shares		
	Date of grant	Outstanding at 31 December 2009	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
Mr Lam Cham	2 January 2008	7,200,000	7,200,000	–	–
Mr Chan Kin Sang	2 January 2008	800,000	800,000	–	–
Mr Xiao Zhuo Ji	2 January 2008	800,000	800,000	–	–
Other senior management staff and employees	2 January 2008	7,200,000	7,200,000	–	–
Mr Lim Wa	20 March 2008	7,800,000	7,800,000	–	–
Other senior management staff and employees	20 March 2008	6,100,000	–	–	6,100,000
Financial consultants and project investment consultants	18 June 2008	15,000,000	15,000,000	–	–
Total		44,900,000	38,800,000	–	6,100,000

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, as far as known to the Directors, the following person (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO was as follows:—

Long position in the shares of the Company

Name of shareholder	Nature of interest and capacity	Total number of shares held	Approximate percentage of interest
Aswell Group	Corporate (Note 1)	340,196,670	13.41%

Note 1: Aswell Group is a company beneficially owned as to 30% by Mr. LIM Wa, as to approximately 29.4% by Mr. LAM Cham and as to approximately 40.6% by the associates of Mr. LIM Wa

The interest stated above represented long positions. As at 30 June 2010, the substantial shareholder had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2010, the Group employed approximately 187 employees in the PRC and Hong Kong (31 December 2009: 193 employees). All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC. Details concerning the retirement benefit schemes were set out in the 2009 Annual Report. The Group has implemented a share option scheme to reward eligible employees (including executive Directors) according to their individual performance.

AUDIT COMMITTEE

In accordance with the Code of Corporate Governance Practices in the Listing Rules, the Company has established the Audit Committee comprising all independent non-executive directors as members with written terms of reference. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited consolidated condensed interim accounts for the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company has committed to maintaining a high standard of corporate governance and complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group to safeguard the shareholders' investment and the Company's assets. The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of internal control system of the Group. The review covered all material controls including financial, operational and compliance controls and risk management functions.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the period under review.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

An interim report for the six months ended 30 June 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DIRECTORS

As at the date of this report, the executive Directors are Mr. Lim Wa, Mr. Lam Cham, Mr. Chang Yim Yang and Mr. Dai Xiaobing. The non-executive Director is Mr. Wang John Peter Ben. The independent non-executive Directors are Professor Xiao Rong Ge, Dr Wong Lung Tak, Patrick, BBS, J.P. and Mr. Chan Kin Sang. Mr. Lim Wa is the Chairman and Mr. Dai Xiaobing is Chief Executive Officer of the Company.

By Order of the Board
China Precious Metal Resources Holdings Co., Ltd.
Dai Xiaobing
Chief Executive Officer and Executive Director

Hong Kong, 30 August 2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LIM Wa *(Chairman)*
DAI Xiaobing *(Chief Executive Officer)*
LAM Cham *(Deputy Chief Executive Officer)*
CHANG Yim Yang

Non-executive Director

WANG John Peter Ben

Independent Non-executive Directors

WONG Lung Tak, Patrick, BBS, J.P.
XIAO Rong Ge
CHAN Kin Sang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

LEE Kit Tuen (CPA, FCCA)

AUTHORISED REPRESENTATIVES

LIM Wa
LAM Cham

AUDIT COMMITTEE

WONG Lung Tak, Patrick, BBS, J.P. *(Chairman)*
XIAO Rong Ge
CHAN Kin Sang

REMUNERATION COMMITTEE

LIM Wa *(Chairman)*
WONG Lung Tak, Patrick, BBS, J.P.
CHAN Kin Sang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3107-9, Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITORS

CCIF CPA Limited
Certified Public Accountants
34th Floor, The Lee Gardens,
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Angela Ho & Associates

As to PRC law:
Bastion Law Firm

PRINCIPAL BANKERS

In Hong Kong:
Standard Chartered Bank
Bank of China (Hong Kong) Limited
Bank of Communications
Hong Kong Branch

In the PRC:
Industrial & Commercial Bank
of China Zhenjiang Branch
Bank of Communications
Zhenjiang Branch
Bank of Communications Tianjin
Economic and Technological
Development Area Branch
Agricultural Bank of China Tianjin
Port Free Trade Zone Branch
Industrial & Commercial Bank of
China Tianjin Port Free Trade
Zone Branch

WEBSITE OF THE COMPANY

http://cpm.etnet.com.hk