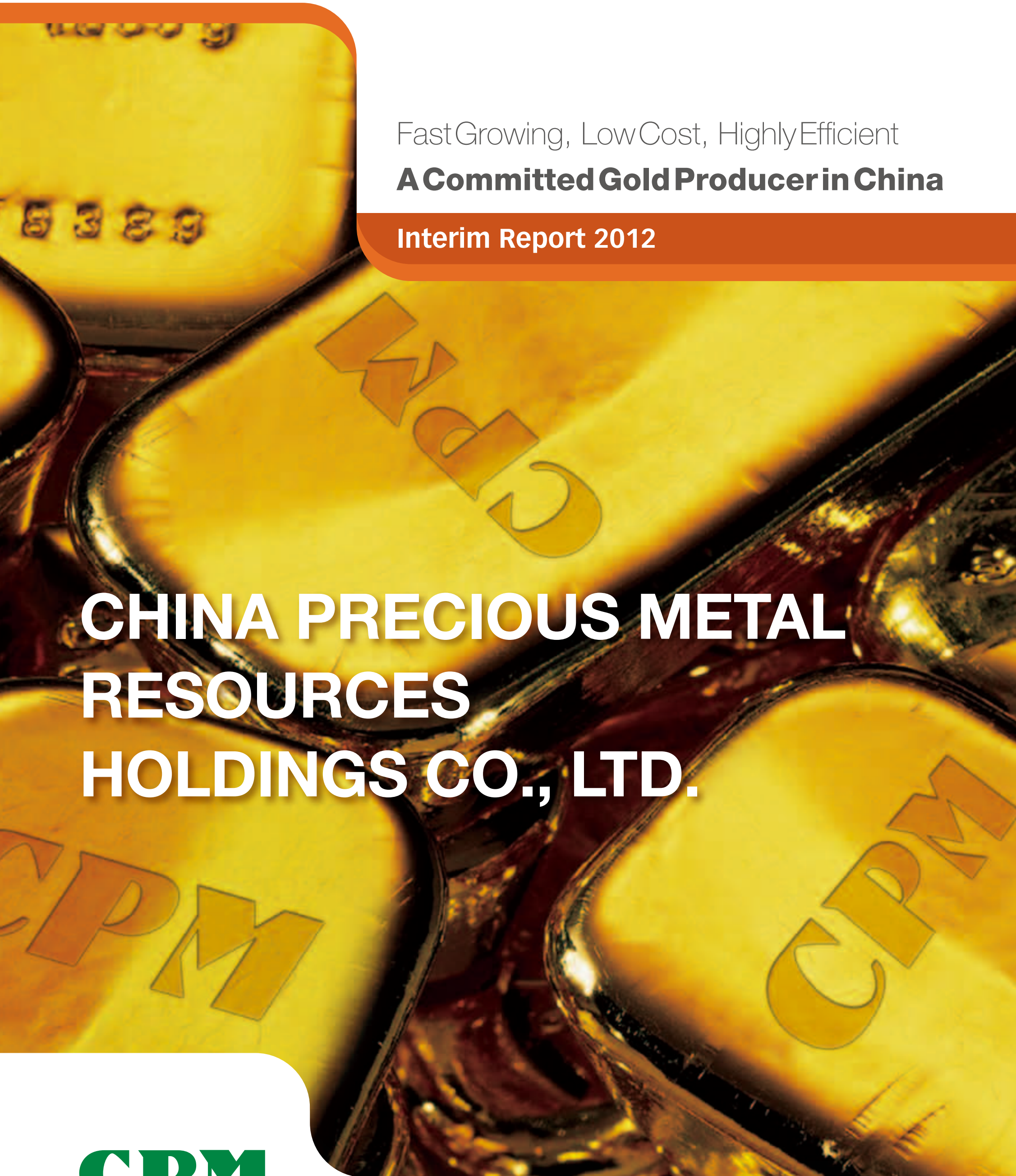
Fast Growing, Low Cost, Highly Efficient

A Committed Gold Producer in China

Interim Report 2012



CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.

CPM

Incorporated in the Cayman Islands with limited liability

Stock Code: 1194

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am proud to report that your company has delivered a resilient performance despite the economic slowdown in the PRC and the staggered economy around the world. The Group has managed to stand out from our peers with a wealth of industry experience and solid operations, further exploit our competitive advantages, and strengthen our position as one of the leading gold producers in the PRC through on-going acquisitions.

Consequently, I am very pleased to present to you our results for the 6 month period ending on 30 June 2012. The Group achieved significant expansion in gold production, increased our gold reserves and resources, and realized a substantial profit. During the first half of the year, the Group produced 51,037 ounces of gold and recorded a turnover of HK$646,156,000, representing an increase of 90% and 115% respectively compared to the same period last year. The gross profit of the Group amounted to HK$429,544,000, an increase of 120%, the adjusted EBITDA amounted to HK$450,263,000, an increase of 99%, and profit amounted to HK$154,130,000, an increase of 63%.

Thanks to favorable mining conditions, organized production methods, and our mining zones being located on the two major fold belts of the PRC (namely Ailaoshan in Yunnan, and Xiaoqinling in Henan), the Group enjoys substantially lower costs of production compared to the average costs of other local and multinational gold mining companies. In fact, the Group's average cash cost for production is US$296/ounce or US$253/ounce (net of by-product credits). Not only are we low cost and highly efficient, but we also hold an abundance of potential resources and reserves. While working diligently with highly competent mining specialists, utilizing newly acquired exploration licenses and strategically coordinating our exploration efforts, the Group will likely bring considerable increases in our gold reserves and resources and extend the life of our mines.

In addition, the Group's implementation of stringent production safety and environmental protection measures have won the recognition of local governments, which will form a strong cornerstone for the Group's future consolidation of regional resources.

In the near future, we would like to establish ourselves as a dominant gold producer in the PRC by continually acquiring gold mines for rapid expansion. The Group will continue to identify gold mines along the two major gold belts of the PRC that are underexplored and underdeveloped but have potential to generate significant value through additional exploration, production expansion and technological innovations.

In July 2012, a subsidiary of the Group entered into an cooperative framework agreement with the People's Government of Puér City, Yunnan Province in relation with the exploration and development of mineral resources. The local government will support the Group through prior allocation and development of mineral resources, which allows the Group to enjoy the priority to participate in exploration, development, and integration of the gold resources.

As announced, we are currently in the final stages of acquiring Hengyi gold mine in Yunnan Province. On 6 July 2012 the Group signed a sale and purchase agreement to acquire the Hengyi gold mine, for a consideration of RMB1,988 million. The Hengyi gold mine include Bianfushan and Shangzhai. The mines are located in Heping Town, Zhenyuan County, Yunnan Province, the PRC. Bianfushan covers an area of around 2 km^2, with total JORC compliance gold resource of 412,000 ounces (12.8 tonnes) and average grade of 2.1g/t grade. Shangzhai, located approximately 15 kilometers northwest of Bianfushan, has a mining area of around 7 km^2 and total JORC compliance gold resource of 1,280,000 ounces (39.8 tonnes) with average grade of 3.0g/t. In addition to the mining licences, the project includes four licenced exploration areas in close vicinity with a total area of around 42 km^2. Due to the multiple stacked vein style of mineralisation, the exploration potential is excellent with high probability to increase the currently defined resources with additional drilling and/or trenching. On completion of the acquisition, the Group's gold resources and reserves will increase to more than 220 tonnes.

Looking ahead, due to the uncertainties of economic prospects in the US, the lingering concerns over the European sovereignty debt, the long-term pressure of global inflation, and the impact of geopolitical crises, gold will remain a major choice in diversifying investment and lowering systemic risks. As a result, the risk aversion and investment demand of gold will likely propel gold prices further, maintaining its upward trend. Furthermore, gold currently accounts for less than 2% of the PRC's foreign exchange reserves, which is substantially less than the world average of 10% and the over 70% of the US. Therefore, it is expected that the PRC will continue to purchase gold to constitute a more significant proportion of its currency reserves. In essence, the continuous growth and development of the gold mining industry in the PRC, coupled with the strong demand for gold from within the PRC and from overseas, present the Group with promising development prospects.

Finally, on behalf of the Board, I would like to extend our gratitude to all shareholders, clients, business partners, staff and the community. The management will continue to work closely with our staff to enhance the Group's performance in the years ahead. The Group will strive to achieve greater operational excellence and reinforce our competitive advantages to maximize and create value for shareholders and investors.

Lam Cham
Chairman

Hong Kong, 24 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2012 $'000	2011 $'000
Continuing operations			
Turnover	3(a)	**646,156**	300,335
Cost of sales		**(216,612)**	(105,508)
Gross profit		**429,544**	194,827
Other revenue		**4,304**	9,486
Other net loss	4	**(23,170)**	—
Selling and distribution costs		**(4,423)**	(1,571)
Administrative expenses		**(82,814)**	(28,929)
Profit from operations		**323,441**	173,813
Finance costs	5(a)	**(81,150)**	(36,142)
Profit before taxation	5	**242,291**	137,671
Income tax	6	**(88,161)**	(42,935)
Profit for the period from continuing operations		**154,130**	94,736
Discontinued operations			
Profit for the period from discontinued operations	7(a)	**–**	16,498
Profit for the period attributable to owners of the Company		**154,130**	111,234
Earnings per share	9	**HK cents**	HK cents
From continuing and discontinued operations			
Basic		**4.47**	3.34
Diluted		**4.47**	3.34
From continuing operations			
Basic		**4.47**	2.84
Diluted		**4.47**	2.84
From discontinued operations			
Basic		**–**	0.50
Diluted		**–**	0.50

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2012 $'000	2011 $'000
Profit for the period		**154,130**	111,234
Other comprehensive income/(loss) for the period (after tax adjustments)			
Release of exchange reserve upon disposal of subsidiaries	7(b)	**–**	(6,453)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(16,751)**	53,565
		(16,751)	47,112
Increase/(decrease) in fair value of available-for-sale financial asset	13	**41,029**	(29,573)
		24,278	17,539
Total comprehensive income for the period		**178,408**	128,773

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 — unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012 $'000**	At 31 December 2011 $'000
Non-current assets			
Intangible assets	10	**3,840,170**	3,939,298
Fixed assets	11	**1,094,118**	749,051
Construction in progress	11	**398,736**	189,705
Deposits paid for gold mining and exploration rights	12	**1,123,560**	723,354
Available-for-sale financial asset	13	**159,814**	118,785
Deposits paid for fixed assets	14	**29,849**	89,541
Other deposits		**9,607**	9,659
		6,655,854	5,819,393
Current assets			
Inventories	23	**111,530**	35,623
Trade and other receivables, deposits and prepayments	15	**99,571**	169,170
Pledged bank deposits	23	**48,594**	39,036
Cash and cash equivalents		**114,761**	86,962
		374,456	330,791

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Current liabilities			
Trade and other payables	16	**241,327**	407,438
Other borrowings	17	**170,767**	125,417
Bank loans and overdrafts	18	**205,588**	133,233
Tax payable		**64,234**	130,362
		681,916	796,450
Net current liabilities		**(307,460)**	(465,659)
Total assets less current liabilities		**6,348,394**	5,353,734
Non-current liabilities			
Other borrowings	17	**958,214**	542,996
Bank loans	18	**448,787**	287,783
Derivative financial instruments	19	**143,161**	39,309
Convertible bonds	20	**121,627**	218,964
Deferred tax liabilities		**689,967**	706,970
		2,361,756	1,796,022
NET ASSETS		**3,986,638**	3,557,712
CAPITAL AND RESERVES			
Share capital	21(a)	**435,453**	416,461
Reserves		**3,551,185**	3,141,251
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,986,638**	3,557,712

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Share capital $'000 (Note 21(a))	Share premium $'000	Statutory surplus reserves $'000	Warrants reserve $'000 (Note 21(b))	Fair value reserve $'000	Convertible bonds equity reserve $'000 (Note 20)	Capital reserve $'000	Exchange reserve $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
At 1 January 2012	416,461	2,932,048	40,695	1,250	(28,592)	12,378	13,170	159,028	11,274	3,557,712
Changes in equity for six months ended 30 June 2012:										
Profit for the period	–	–	–	–	–	–	–	–	154,130	154,130
Other comprehensive income for the period	–	–	–	–	41,029	–	–	(16,751)	–	24,278
Total comprehensive income for the period	–	–	–	–	41,029	–	–	(16,751)	154,130	178,408
Issue of new shares (note 21(a))	18,992	201,008	–	–	–	–	–	–	–	220,000
Equity-settled share-based payments	–	–	–	–	–	–	36,083	–	–	36,083
Redemption of convertible bonds (note 20)	–	–	–	–	–	(5,501)	–	–	–	(5,501)
Transaction costs attributable to issue of new shares	–	(64)	–	–	–	–	–	–	–	(64)
At 30 June 2012	435,453	3,132,992	40,695	1,250	12,437	6,877	49,253	142,277	165,404	3,986,638

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Share capital $'000 (Note 21(a))	Share premium $'000	Statutory surplus reserves $'000	Warrants reserve $'000 (Note 21(b))	Fair value reserve $'000	Convertible bonds equity reserve $'000 (Note 20)	Capital reserve $'000	Exchange reserve $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
At 1 January 2011	416,448	2,932,025	26,564	1,250	(17,483)	12,378	10	42,160	(392,001)	3,021,351
Changes in equity for six months ended 30 June 2011:										
Profit for the period	–	–	–	–	–	–	–	–	111,234	111,234
Other comprehensive income for the period	–	–	–	–	(29,573)	–	–	47,112	–	17,539
Total comprehensive income for the period	–	–	–	–	(29,573)	–	–	47,112	111,234	128,773
New shares issued upon exercise of share options	13	23	–	–	–	–	(10)	–	–	26
Release of reserves upon disposal of subsidiaries	–	–	(15,924)	–	–	–	–	–	15,924	–
Transfer to statutory surplus reserve	–	–	14,306	–	–	–	–	–	(14,306)	–
At 30 June 2011	416,461	2,932,048	24,946	1,250	(47,056)	12,378	–	89,272	(279,149)	3,150,150

The notes on pages 10 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Cash generated from operations	**502,696**	203,783
Income tax paid	**(166,432)**	(48,060)
Net cash generated from operating activities	**336,264**	155,723
Net cash used in investing activities	**(869,324)**	(451,168)
Net cash generated from financing activities	**555,185**	283,553
Net increase/(decrease) in cash and cash equivalents	**22,125**	(11,892)
Cash and cash equivalents at 1 January	**86,962**	108,546
Effect of foreign exchange rate changes	**(2,232)**	(2,310)
Cash and cash equivalents at 30 June	**106,855**	94,344
Analysis of balance of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**114,761**	94,344
Bank overdrafts (note 18)	**(7,906)**	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**106,855**	94,344

The notes on pages 10 to 46 form part of this interim financial report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012 — unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of China Precious Metal Resources Holdings Co., Ltd. (the "Company") have 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 and 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 24 August 2012.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim condensed consolidated financial statements 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.

The interim condensed consolidated financial statements contains condensed consolidated statement of financial position as of 30 June 2012 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 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 2011 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 condensed consolidated financial statements are unaudited, but has been reviewed by the Audit Committee of the Company and by the independent auditor, Crowe Horwath (HK) 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 2011 that is included in the interim condensed consolidated financial statements 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.

In preparing the interim condensed consolidated financial statements, the Company's directors have considered the future liquidity of the Group. The Group generated a consolidated net profit attributable to owners of the Company of $154,130,000 and net cash inflow from operating activities of $336,264,000 for the six months ended 30 June 2012, but, as at 30 June 2012, the Group had net current liabilities of $307,460,000. These conditions indicate the existence of a material uncertainty which may cast a doubt on the Group's ability to continue as a going concern. Nevertheless, the Company's directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) Subsequent to the end of the reporting period, the Group accepted the all cash off-market takeover offer of its investment in Norton Gold (as defined in note 13) with estimated proceeds of approximately Australian Dollars ("AUD") 23 million. Details are set out in note 25(b);

(ii) On 19 July 2012, a financial institution has indicated its intention of granting a standby credit facility of RMB250 million (equivalent to $307 million) to the Group for the period of one year. The Group is also currently in discussion with various financial institutions for possible new credit facilities;

(iii) Two of the Company's substantial shareholders have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due; and

(iv) Based on a cash flow forecast prepared by the Group's management for the twelve months ending from the date of approval of the interim condensed consolidated financial statements, the Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the Company's directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial statements for the six months ended 30 June 2012 on a going concern basis. The interim condensed consolidated financial statements have not reflected any effects of adjustments if the Group was unable to operate as a going concern.

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 interim condensed consolidated financial statements:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the revenue from sales of gold products and other by-products to customers net of value added tax, returns and discounts from continuing operations. The amount of each significant category of revenue recognised in turnover during the period is analysed as follows:

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Continuing operations:		
Sales of		
— Gold products	**629,615**	286,502
— Other by-products	**16,541**	13,833
	646,156	300,335

3. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment Information

The Group is principally engaged in mining and processing of gold ores and sales of gold products in the People's Republic of China ("the PRC"). All of its revenue, results and assets were derived from this business operation during the six months ended 30 June 2012. Accordingly, no business segment analysis is presented.

The Group's turnover and results from operations mainly derived from activities in the PRC and its principal assets were located in the PRC during the six months ended 30 June 2012. Accordingly, no analysis by geographical information is provided.

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Customer A	**300,143**	107,203
Customer B	**141,193**	—
Customer C	**—**	35,950
Customer D	**—**	32,475

4. OTHER NET LOSS

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Fair value loss of derivative financial instruments (note 19)	**18,290**	—
Loss on early redemption of unsecured payable (note 16(c))	**15,236**	—
Gain on early redemption of convertible bonds (note 20)	**(7,496)**	—
Exchange gain	**(2,847)**	—
Gain on disposal of fixed assets	**(13)**	—
Total net loss	**23,170**	—

5. PROFIT BEFORE TAXATION

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

		Six months ended 30 June 2012 $'000	2011 $'000
(a)	**Finance costs:**		
	Continuing operations:		
	Interest on bank and other borrowings wholly repayable within five years	**112,705**	26,034
	Interest on unsecured payable (note 16(c))	**2,162**	10,001
	Interest on convertible bonds (note 20)	**8,302**	8,517
	Transaction costs	**10,607**	—
	Total interest expenses on financial liabilities not at fair value through profit or loss	**133,776**	44,552
	Less: Interest capitalised into deposits paid for proposed acquisitions of gold mining and exploration rights (notes (i) & 12)	**(52,626)**	(8,410)
		81,150	36,142

Note:

(i) The borrowing costs have been capitalised at a rate of 18% (six months ended 30 June 2011: 17%) per annum.

5. PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June 2012 $'000	2011 $'000
(b) Other items:		
Continuing operations:		
Amortisation of intangible assets	**82,868**	44,084
Depreciation and amortisation of fixed assets	**21,202**	9,190
Operating lease charges in respect of		
— land and buildings	**2,311**	1,881
— machinery and equipment	**24**	133
Bank interest income	**(431)**	(492)
Waiver of other payables	**—**	(6,241)
Discontinued operations (note 7(a)):		
Operating lease charges in respect of		
— land and buildings	**—**	70
Bank interest income	**—**	(10)

6. INCOME TAX

(a) Continuing operations:

(i) Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June 2012 $'000	2011 $'000
PRC income tax		
— current tax	**101,017**	52,601
— under-provision in prior year	**285**	1,850
	101,302	54,451
Deferred tax	**(13,141)**	(11,516)
Total income tax expense	**88,161**	42,935

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

	Six months ended 30 June 2012 $'000	2011 $'000
Profit before tax	**242,291**	137,671
Notional tax on profit before tax, calculated at the rates applicable to the tax jurisdiction concerned	**70,583**	29,036
Tax effect of non-deductible expenses	**28,310**	19,415
Tax effect of non-taxable incomes	**(7,419)**	(2,212)
Tax effect of unrecognised timing differences	**(3,940)**	(210)
Under-provision in prior year	**285**	1,850
Tax effect of unused tax losses not recognised	**342**	355
	88,161	48,234
Withholding tax (note 6(d))	**—**	(5,299)
Actual tax expense	**88,161**	42,935

6. INCOME TAX (Continued)

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

(i) Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June **2012** **$'000**	2011 $'000
Current tax	–	–
Deferred tax	–	–
Total tax expense	–	–

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

	Six months ended 30 June **2012** **$'000**	2011 $'000
Profit before tax	–	69
Notional tax on profit before tax, calculated at the rates applicable to the tax jurisdiction concerned	–	26
Tax effect of non-deductible expenses	–	20
Tax effect of non-taxable incomes	–	(134)
Tax effect of unused tax losses not recognised	–	88
Actual tax expense	–	–

6. INCOME TAX (Continued)

(c) (i) 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 2012 and 2011.

(ii) 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 2012 and 2011.

(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) The Group had deferred tax liabilities balance of $5,299,000 from continuing operations at 31 December 2010 in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. In the opinion of the Company's directors, the Group controls the dividend policy of these subsidiaries and it has been determined that it is not probable that these subsidiaries will distribute profits in the foreseeable future. Accordingly, the deferred tax liabilities balance of $5,299,000 was written back to condensed consolidated income statement during the six months ended 30 June 2011. As at 30 June 2012, the undistributed profits of these subsidiaries amounted to $798,902,000 (30 June 2011: $169,116,000) and related potential deferred tax liabilities of $79,890,000 (30 June 2011: $16,911,000) have not been recognised in these interim condensed consolidated financial statements.

7. DISCONTINUED OPERATIONS

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 in view of loss incurred and would dispose of its interest in these operations which were held by two subsidiaries, China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. and China Force Oils (Zhenjiang) Co., Ltd. (collectively "Zhenjiang Companies") of the Group, in the next twelve months. The assets and liabilities attributable to these operations were classified as a disposal group held for sale as at 31 December 2010.

On 29 March 2011, the Group and an independent third party (the "Purchaser") entered into a conditional letter of intent, pursuant to which the Group disposed of and the Purchaser acquired the entire equity interest in Zhenjiang Companies at a cash consideration of RMB20,000,000. On 9 May 2011, the Group and the Purchaser entered into a sale and purchase agreement, pursuant to which the Group disposed of and the Purchaser acquired the entire equity interest in China Force Oils and Grains Industrial Limited ("CFO"), a direct subsidiary of the Company and an indirect holding company of the entire equity interest in Zhenjiang Companies, at a consideration of RMB20,000,000 (equivalent to approximately $23,916,000). The disposal transaction was completed on 11 May 2011 and the entire equity interest in CFO was transferred to the Purchaser.

7. DISCONTINUED OPERATIONS (Continued)

(a) The results of the discontinued operations for the six months ended 30 June 2011 are as follows:

	Note	Six months ended 30 June 2011 $'000
Turnover		—
Cost of sales		—
Gross loss		—
Other revenue		535
Administrative expenses		(466)
Profit from operations		69
Finance costs		—
Profit before taxation	5	69
Income tax	6	—
		69
Gain on disposal of discontinued operations	7(b)	16,429
Profit for the period from discontinued operations		16,498

7. DISCONTINUED OPERATIONS (Continued)

(b) Details of the gain on disposal of subsidiaries

	Note	Six months ended 30 June 2011 $'000
Fixed assets		23,279
Trade and other receivables, deposits and prepayments		110
Cash and cash equivalents		9,777
Trade and other payables		(19,226)
		13,940
Release of cumulative exchange reserve		(6,453)
		7,487
Gain on disposal	7(a)	16,429
Cash Consideration		23,916

(c) The net cash outflow of the discontinued operations for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011 $'000
Net cash inflow from operating activities	184
Net cash outflow from investing activities	(395)
Net cash outflow incurred by the discontinued operations	(211)

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 and 2011.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of $154,130,000 (six months ended 30 June 2011: $111,234,000) and on the weighted average number of 3,446,890,000 (six months ended 30 June 2011: 3,331,627,000) ordinary shares in issue during the six months ended 30 June 2012 as follows:

	Six months ended 30 June			
	2012		2011	
	Profit attributable to owners of the Company $'000	**Weighted average number of ordinary shares '000**	Profit attributable to owners of the Company $'000	Weighted average number of ordinary shares '000
Continuing operations	**154,130**	**3,446,890**	94,736	3,331,627
Discontinued operations	**–**	**3,446,890**	16,498	3,331,627
	154,130		111,234	

Weighted average number of ordinary shares:

	Number of shares	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	**3,331,687**	3,331,587
Effect of issue of new shares (note 21(a))	**115,203**	–
Effect of issue of new shares under share options	**–**	40
Weighted average number of ordinary shares at 30 June	**3,446,890**	3,331,627

(b) Diluted earnings per share

During the six months ended 30 June 2012 and 2011, the Company's convertible bonds and warrants had anti-dilutive effect because their conversion/exercise prices were above the weighted average market prices of the Company's shares, and the exercise of share options had anti-dilutive effect. Therefore, the diluted earnings per share is the same as the basic earnings per share.

10. INTANGIBLE ASSETS

	Mining rights $'000
Cost	
At 1 January 2012	4,153,256
Exchange adjustments	(17,440)
At 30 June 2012	4,135,816
Accumulated amortisation	
At 1 January 2012	213,958
Charge for the period	82,868
Exchange adjustments	(1,180)
At 30 June 2012	295,646
Carrying amounts	
At 30 June 2012	3,840,170
At 31 December 2011	3,939,298

(a) As at 30 June 2012, the Group's mining rights with a total carrying amount of $2,748,786,000 (31 December 2011: $1,851,727,000) were pledged as securities for the Group's bank and other borrowings (note 23).

(b) The amortisation charge, calculated using the units-of-production method, during the period is included in cost of sales in the condensed consolidated income statement.

11. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

(a) During the six months ended 30 June 2012, the Group acquired fixed assets and construction in progress of $22,739,000 (six months ended 30 June 2011: $48,665,000) and $557,263,000 (six months ended 30 June 2011: $165,571,000) respectively and disposed of fixed assets with a total carrying amount of $18,000 (six months ended 30 June 2011: $nil), resulting in a gain of $13,000 (six months ended 30 June 2011: $nil).

(b) At 30 June 2012, certain fixed assets and construction in progress of Group with a total carrying amount of $239,258,000 (31 December 2011: $244,910,000) and $74,756,000 (31 December 2011: $4,287,000) respectively were pledged as security for the Group's bank and other borrowings (note 23).

12. DEPOSITS PAID FOR GOLD MINING AND EXPLORATION RIGHTS

As at 30 June 2012, the Group paid deposits for the proposed acquisitions of certain gold mining and exploration rights as follows:

(i) On 22 July 2011 and 20 January 2012, the Group and Premium Wise Inc. (the "Vendor"), an independent third party, entered into two conditional letters of intent, pursuant to which the Group will acquire the entire equity interest in Sinowise Century Limited ("Sinowise"), which is wholly-owned by the Vendor, together with its subsidiaries, which holds two mining rights and certain exploration rights for gold mines located in Yunnan in the PRC. As at 30 June 2012, the Group paid a total deposit of RMB549,800,000 (equivalent to $673,978,000) (31 December 2011: RMB300,000,000 (equivalent to $365,275,000)) to the Vendor. The entire issued shares of Sinowise were pledged to the Group as a security and the title certificates of two mining rights held by Sinowise, through its subsidiary in Yunnan in the PRC, were kept in custody by the Group for its deposit paid. Subsequent to the end of the reporting period, the Group and the Vendor entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to acquire entire equity interest in Sinowise for a consideration of RMB1,988,000,000. Details are set out in note 25(a).

(ii) The Group paid deposits of RMB160,000,000 (equivalent to $196,272,000) (31 December 2011: RMB160,000,000 (equivalent to $197,360,000)) and RMB110,000,000 (equivalent to $134,937,000) (31 December 2011: RMB80,000,000 (equivalent to $98,680,000)) to two respective independent third parties for the proposed acquisitions of certain mining and exploration rights for gold mines in Henan, the PRC, at a consideration of RMB160,000,000 (equivalent to $196,272,000) (31 December 2011: RMB160,000,000 (equivalent to $197,360,000)) and a proposed consideration not exceeding RMB200,000,000 (equivalent to $245,340,000) (31 December 2011: RMB200,000,000 (equivalent to $246,700,000)) respectively (note 22).

(iii) The Group paid an aggregate deposits of RMB12,000,000 (equivalent to $14,720,000) (31 December 2011: RMB8,720,000 (equivalent to $10,756,000)) for five (31 December 2011: four) proposed acquisitions of certain mining and exploration rights for gold mines in Henan, the PRC, from five (31 December 2011: four) respective independent third parties. The total consideration of these acquisitions is RMB12,400,000 (equivalent to $15,211,000) (31 December 2011: RMB10,900,000 (equivalent to $13,445,000)) (note 22).

During the six months ended 30 June 2012, interest on bank and other borrowings capitalised in above deposits paid for proposed acquisitions of gold mining and exploration rights were $52,626,000 (six months ended 30 June 2011: $8,410,000) (note 5(a)). All of above acquisition transactions have not been completed as at the date of approval of the interim condensed consolidated financial statements.

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	$'000
Listed shares overseas at fair value:	
At 31 December 2011	118,785
Increase in fair value (note (b))	41,029
At 30 June 2012	159,814
Market value at 30 June 2012	159,814

(a) As at 30 June 2012 and 31 December 2011, the Group held approximately 85,920,000 ordinary shares of Norton Gold Fields Limited ("Norton Gold"), representing approximately 10.11% equity interest in Norton Gold. Norton Gold is a limited liability company incorporated in Australia and its shares are listed in the Australian Securities Exchange Limited. It holds certain gold mines in Australia and is engaged in production of gold and exploration of gold field in Australia.

(b) As at 30 June 2012, the fair value of the Group's investment in Norton Gold was $159,814,000 which is based on the market value of the shares. An increase in fair value of $41,029,000 was recognised in the Group's other comprehensive income during the six months ended 30 June 2012. On 31 May 2012, Norton Gold received a recommended all cash off-market takeover offer. Details are set out in note 25(b).

14. DEPOSITS PAID FOR FIXED ASSETS

As at 30 June 2012, the Group paid a deposit of RMB12,000,000 (equivalent to $14,720,000) (31 December 2011: RMB12,000,000 (equivalent to $14,802,000)) to the local government of Mojiang County, Yunnan, the PRC, for the proposed acquisition of a piece of land in Mojiang County, Yunnan in the PRC at a consideration of RMB80,000,000 (equivalent to $98,136,000) (31 December 2011: RMB80,000,000 (equivalent to $98,680,000)) (note 22). The Group has not entered into any sale and purchase agreement for the acquisition of the land and the acquisition has not been completed as at the date of approval of the interim condensed consolidated financial statements.

Save as disclosed above, the Group paid deposits of $15,129,000 (31 December 2011: $74,739,000) for purchase of plant and equipment at an aggregate consideration of $20,413,000 (31 December 2011: $79,845,000) as at 30 June 2012 (note 22).

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Trade receivables		**38,806**	106,592
Less: Allowance for doubtful debts	(b)	**—**	—
	(a) & (c)	**38,806**	106,592
Other receivables		**10,995**	7,621
Loan and receivables		**49,801**	114,213
Deposits and prepayments		**49,770**	54,957
		99,571	169,170

All of the trade and other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

As at 31 December 2011, the Group's trade receivables with a carrying amount of $74,754,000 were pledged to a bank for banking facilities granted to the Group (note 23).

(a) Ageing analysis

The ageing analysis of the trade receivables (net of allowance for doubtful debts) based on invoice date at end of the reporting period is as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Less than two months	**38,806**	106,592
	38,806	106,592

Trade receivables are due within two month from the date of billing.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Impairment of trade receivables

The movements in the allowance for doubtful debts on trade receivables during the period, including both specific and collective loss components, are as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
At beginning of the reporting period	–	373
Released upon disposal of subsidiaries	–	(373)
At end of the reporting period	–	–

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Neither past due nor impaired	38,806	106,592

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

16. TRADE AND OTHER PAYABLES

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Trade payables	(a)	15,121	3,087
Accrued charges and other payables	(b)	192,974	164,448
Unsecured payable	(c)	–	202,602
Financial liabilities measured at amortised cost		208,095	370,137
Receipts in advance		33,232	37,301
		241,327	407,438

16. TRADE AND OTHER PAYABLES (Continued)

(a) The ageing analysis of trade creditors based on invoice date at end of the reporting period is as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Within three months	**10,133**	2,795
More than three months but within one year	**4,711**	12
After one year	**277**	280
	15,121	3,087

(b) As at 30 June 2012, the Group's accrued charges and other payables included bills payables of $24,534,000 (31 December 2011: $34,538,000) which were secured by a pledge of the Group's bank deposits (note 23) and the guarantee given by a subsidiary of the Group and two independent third parties. The bills payables were issued for the acquisition of the Group's fixed assets.

(c) This represents a payable with a principal amount of $220,000,000 as at 31 December 2011 due to Eastgold Capital Limited ("Eastgold") as part of the consideration for the acquisition of Wah Heen Holdings Limited and its subsidiaries (collectively "Wah Heen Group") by the Group during the year ended 31 December 2010. Pursuant to the sale and purchase agreement of the acquisition of Wah Heen Group, the payable was unsecured, interest-free and would be due on 20 December 2012. As at 31 December 2011, the payable of $202,602,000 was stated at amortised cost, using an effective interest rate of 8.9% per annum. During the six months ended 30 June 2012, the Group recognised interest expenses of $2,162,000 (six months ended 30 June 2011: $10,001,000).

On 6 February 2012, the Group and Eastgold entered into a supplement agreement to revise the payment term of cash consideration payable, which would be settled by the Group on 20 December 2012. Pursuant to the supplement agreement, both parties agreed that the Group's outstanding principal amount of the cash consideration of $220,000,000 due to Eastgold was settled by the issue of 151,933,701 new ordinary shares of the Company of $0.125 each at an issue price of $1.448 within one month upon the date of the supplement agreement. On 14 February 2012, these new ordinary shares of the Company were issued to Eastgold (note 21(a)). The Group incurred a loss on early redemption of the unsecured payable of $15,236,000 (note 4).

17. OTHER BORROWINGS

As at 30 June 2012, the Group had other borrowings as follows:

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Secured borrowings	(a) to (c)	**1,113,311**	520,591
Loan from a shareholder and director	24(a)(ii)	**9,670**	147,822
Loan from a director	24(a)(iii)	**6,000**	—
Total		**1,128,981**	668,413
Carrying amounts repayable:			
Within 1 year or on demand		**170,767**	125,417
After 1 year but within 2 years		**589,551**	405,468
After 2 years but within 5 years		**368,663**	137,528
		1,128,981	668,413
Less: Current portion		**170,767**	125,417
Non-current portion		**958,214**	542,996

(a) (i) During the year ended 31 December 2011, the Group entered into two agreements with an independent third party, Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司) ("Minsheng"), pursuant to which Minsheng agreed to lend the Group two loan facilities of RMB300,000,000 (the "First Loan Facility") and RMB250,000,000 (the "Second Loan Facility") respectively and the Group drew the loan amounts of RMB300,000,000 (equivalent to $354,400,000) and RMB150,000,000 (equivalent to $183,891,000) respectively during the year ended 31 December 2011. The loans are repayable within one to three years, secured by a mining right, certain fixed assets and construction in progress of the Group and the share charge of two indirect wholly-owned PRC subsidiaries of the Company (note 23), guarantees given by an executive director and substantial shareholder of the Company (note 24(a)(i)) and a subsidiary of the Company.

17. OTHER BORROWINGS (Continued)

(a) (Continued)

(ii) During the six months ended 30 June 2012, the Group and Minsheng entered into a supplement agreement, pursuant to which both parties agreed to restructure certain terms of the First Loan Facility of RMB300,000,000. The Group repaid an amount of RMB150,000,000, which was financed by the Group's bank loan (note 18(b)), to Minsheng for its release of the security charge of the mining right of the Group. Save as disclose above, there was no change of other securities and guarantees given by the Group as stated in the First Loan Facility as above. In addition, the Group drew the remaining loan facility of RMB100,000,000 (equivalent to $122,670,000) from Minsheng during the six months ended 30 June 2012 pursuant to the Second Loan Facility.

(b) During the six months ended 30 June 2012, the Group entered into an agreement with an independent third party, China Resource SZITIC Trust Co., Ltd. (華潤深國投信托有限公司) ("China Resource"), pursuant to which China Resource agreed to lend the Group a loan of RMB300,000,000 (equivalent to $368,000,000). The loan is repayable within two years, secured by a mining right and certain fixed assets of the Group (note 23), and guarantees given by an executive director and substantial shareholder of the Company (note 24(a)(i)) and a subsidiary of the Group.

(c) On 25 April 2012, the Company, two wholly-owned subsidiaries of the Group and Decent Connection Overseas Limited ("Decent"), a wholly-owned subsidiary, entered into a redeemable preferred share purchase agreement and a shareholders agreement (collectively the "Agreements") with an independent third party Components and Materials M&A Private Equity Fund ("CMMA"), a private equity fund formed and registered under the laws of the Republic of Korea. Pursuant to the Agreements, Decent agreed to issue and allot 50,000,000 redeemable preferred shares (the "RP Shares") to CMMA at an issue price of US$1 per share (the "Issue Price") with a total subscription amount of US$50,000,000 (equivalent to approximately $387,900,000). The holder of the RP shares is entitled to a fixed preferred dividend of 10% per annum of the subscription amount, payable semi-annually in arrears, and is not entitled to any voting right as shareholder of the ordinary shares of Decent. The RP shares will be redeemed on the fifth anniversary of the issue date of the RP Shares (the "Subscription Period"). The holder of the RP shares is entitled to request Decent to redeem in whole, not in part, the RP shares ("Optional Redemption") at an amount per share equal to the sum of the Issue Price and any preferred dividend declared but not paid on each of the third, forth and fifth anniversaries of the issue date of the RP Shares. Decent is entitled to redeem in whole, not in part, after six months of the issue date of the RP shares ("Voluntary Redemption") at an amount per share equal to the sum of the Issue Price and the greater of (i) 18% compound per annum of the Issue Price calculated from and including the issue date to but excluding the date of Voluntary Redemption or the date on which payment is made in full, whichever is later; and (ii) 18% compound per annum of the Issue Price calculated from and including the issue date of the RP Shares to but excluding the third anniversary of the issue date (deducting any preferred dividends declared and paid) on such RP Shares.

17. OTHER BORROWINGS (Continued)

(c) (Continued)

The RP Shares are secured by a bank deposit of Decent not less than US$2,500,000 (equivalent to approximately $19,500,000) and share charge of Decent together with its two wholly owned subsidiaries (note 23) and a guarantee given by the Company. In the opinion of the Company's directors, the RP Shares arrangement is in substance a loan borrowing.

Pursuant to the Agreements, on 12 June 2012, the Company executed a warrant instrument (the "2012 Warrant Instrument") with a principal amount of $116,400,000 (the "2012 Warrants") to CMMA. The 2012 Warrant Instrument is executed in consideration of the RP Shares issued by Decent pursuant to the Agreements and the issue price of the 2012 Warrants is nil. The 2012 Warrants entitle the holders to subscribe for new ordinary shares of the Company at a subscription price of $2.1 per share with an expiration date for five years commencing from the issue date of the 2012 Warrants. The 2012 Warrants are transferable.

Pursuant to the Agreements and the 2012 Warrant Instrument, in the event that the RP Shares are redeemed for any reason during the Subscription Period, each warrant holder shall have the right to surrender all (and not part) of the unexercised 2012 Warrants, and in consideration the Company shall pay to such warrant holder the corresponding redemption surrender premium (the "Redemption Surrender Premium"). The Redemption Surrender Premium is calculated (i) in the case of Optional Redemption, the payment of which would give the warrant holders, collectively, an amount per share equal to the sum of the Issue Price and 18% compound per annum of the Issue Price calculated for the period from and including the issue date to but excluding the relevant redemption date on the basis of the actual days elapsed and a 365-day year, deducting any amount payable under Optional Redemption and preferred dividends declared and paid to the holders of RP Shares pursuant to the terms of the RP Shares; or (ii) nil, in the event of occurrence of an event triggering the mandatory redemption or the Voluntary Redemption. In the event that any of the 2012 Warrants are not exercised and no Voluntary Redemption is exercised by Decent, the Company will pay to the warrant holders for unexercised 2012 Warrants an expiry surrender premium ("2012 Warrants Expiry Surrender Premium") at expiry date of the 2012 Warrants. The 2012 Warrants Expiry Surrender Premium is calculated (i) in the case of Optional Redemption, the payment of which would give the warrant holders, an amount per share equivalent to the sum of the Issue Price and 18% compound per annum of the Issue Price calculated for the period from and including the issue date to but excluding the 2012 Warrant expiration date or relevant redemption date, whichever is earlier, on the basis of the actual days elapsed and a 365-day year, deducting any amount for Optional Redemption and preferred dividend paid to the holders of RP Shares pursuant to the Agreements; or (ii) nil, in the case of a mandatory redemption. Further details are set out in the Company's announcements on 25 April 2012 and 12 June 2012.

17. OTHER BORROWINGS (Continued)

(c) (Continued)

On 12 June 2012, Decent and the Company issued the RP Shares and the 2012 Warrants, respectively, to CMMA. On the issue date of the 2012 Warrants and the RP Shares, the fair value of the 2012 Warrants was determined using a binominal option pricing model at $85,562,000 (note 19) and the residual of the proceeds from the issue of RP Shares of $302,338,000 was regarded as the liability component of the loan which, after the deduction of directly attributable transaction costs of $30,252,000, is carried at amortised cost using the effective interest rate method.

Pursuant to the Agreements, the Group is subject to the fulfillment of covenants relating to certain of the Group's debt and profit financial ratios and collateral coverage ratio during the RP Shares issued period. If the Group is in breach of the covenants, the RP Shares will become payable on demand.

17. OTHER BORROWINGS (Continued)

(d) The range of effective interest rates on the Group's other borrowings is as follows:

	At 30 June 2012 %	At 31 December 2011 %
Effective interest rates:		
Fixed-rate borrowings	**14 - 21**	14
Variable-rate borrowings	**17 - 21**	17

18. BANK LOANS AND OVERDRAFTS

As at 30 June 2012, the Group had bank loans and overdrafts repayable as follows:

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Bank overdrafts			
— secured	(c)	**7,906**	—
Bank loans			
— secured	(a) to (c)	**548,333**	359,341
— unsecured	(d)	**98,136**	61,675
Total		**654,375**	421,016
Carrying amounts represent:			
Within 1 year or on demand		**205,588**	133,233
After 1 year but within 2 years		**4,547**	—
After 2 years but within 5 years		**444,240**	287,783
		654,375	421,016
Less: Current portion		**205,588**	133,233
Non-current portion		**448,787**	287,783

18. BANK LOANS AND OVERDRAFTS (Continued)

(a) (i) On 22 August 2011, the Company entered into a loan agreement ("the RBI Loan Agreement") with an independent third party, Raiffeisen Bank International AG, Labuan Branch ("RBI"), pursuant to which RBI agreed to grant to the Company a loan of US$40 million (equivalent to $312 million). The loan is charged at a stipulated coupon rate of 10% per annum with a maturity date on 22 August 2014. The loan is secured by a bank deposit of the Company not less than US$2,000,000 (equivalent to approximately $15,600,000) and second ranking share charge of four indirect wholly-owned PRC subsidiaries of the Company, together with all of their respective immediate and intermediate investment holding companies, which hold all of the Group's mining rights and the related mining structures, personal guarantees given by two executive directors of the Company and the Company's shares held by certain individual shareholders of the Company (notes 23 and 24(a)(iv)).

Pursuant to the RBI Loan Agreement, the Company executed a warrant instrument (the "2011 Warrant Instrument") with a principal amount of $93,480,000 (the "2011 Warrants") to RBI. The 2011 Warrant Instrument is executed in consideration of the loan drawn by the Company pursuant to the RBI Loan Agreement and the issue price of the 2011 Warrants is nil. The 2011 Warrants entitle the holders to subscribe for new ordinary shares of the Company at a subscription price of $2.1 per share for a period from 22 August 2011 to 22 August 2014. The 2011 Warrants are transferable.

Pursuant to the RBI Loan Agreement and the 2011 Warrant Instrument, the Company is entitled to a right to repay the loan at any time before the loan maturity date ("Voluntary Prepayment Option"). In the event that Voluntary Prepayment Option is exercised by the Company, provided that holders of the 2011 Warrants agree to surrender their unexercised 2011 Warrants, and any of the 2011 Warrants are not exercised, the Company will pay to the warrant holders for the unexercised 2011 Warrants a voluntary surrender premium, which is equivalent to an amount between 18% and 10% stipulated coupon rate per annum on bank loan payable by the Company during period from the date of bank loan drawn and up to the date of repayment of the loan, in the consideration of warrant holders' surrender of the unexercised 2011 Warrants. The warrant holders have discretion not to surrender the 2011 Warrants, when the Voluntary Prepayment Option is exercised, if there is a better payoff of holding the 2011 Warrants till maturity or conversion of the 2011 Warrants into shares of the Company. In the opinion of the directors of the Company, the fair value of the Voluntary Prepayment Option was zero at the issue date of the 2011 Warrant Instrument and the loan drawn-down date and at end of the reporting period. In the event that any of the 2011 Warrants are not exercised and no Voluntary Prepayment Option is exercised by the Company, the Company will pay to the warrant holders for the unexercised 2011 Warrants an expiry surrender premium ("Expiry Surrender Premium") at expiry date of the 2011 Warrants. The Expiry Surrender Premium is equivalent to an amount between 15% on the loan and 10% stipulated coupon rate per annum on bank loan payable by the Company during loan period.

18. BANK LOANS AND OVERDRAFTS (Continued)

(a) (i) (Continued)

On the issue date of the 2011 Warrants and loan drawn-down date, the fair value of the 2011 Warrants was determined using a binominal option pricing model at $38,080,000 and the residual of the proceeds from the RBI was regarded as the liability component of the loan, net-off attributable transaction costs, which is carried at amortised cost at an effective interest rate of 18% per annum.

(ii) During the six months ended 30 June 2012, the Company and RBI entered into a supplement loan agreement (the "Supplement RBI Loan Agreement") and a supplement warrant instrument (the "Supplement 2011 Warrant Instrument"), pursuant to which both parties agreed to restructure certain terms of the RBI Loan Agreement and the 2011 Warrant Instrument. RBI agreed that the Group raised new loans from China Resource (note 17(b)) and CMMA (note 17(c)) and the Group's securities were given to China Resource and CMMA for their respective loans granted to the Group. In addition, the Company and RBI agreed that the Expiry Surrender Premium of 15% per annum as stated in the 2011 Warrant Instrument was revised to 18% per annum.

Pursuant to the RBI Loan Agreement and the Supplement RBI Loan Agreement, the Group is subject to the fulfillment of covenants relating to certain of the Group's debt and profit financial ratios and collateral coverage ratio during the loan period. If the Group is in breach of the covenants, the loan will become payable on demand.

(b) During the six months ended 30 June 2012, the Group obtained a bank loan of RMB150,000,000 (equivalent to approximately $184,005,000). The loan is repayable within one to three years, secured by a mining right of the Group and a guarantee given by the Company (note 23). The Group used the proceeds of the above bank loan to repay its borrowings (note 17(a)(ii)).

(c) Save as disclosed in above notes (a) and (b), the Group's other bank loans and overdrafts were repayable within one year or on demand, secured by a pledge of the Group's fixed assets, bank deposits and inventories (note 23) and the guarantee given by the Company as at 30 June 2012 and 31 December 2011.

(d) As at 30 June 2012 and 31 December 2011, the Group's unsecured bank loans were guaranteed by a related party (note 24(a)(v)), two independent third parties and two subsidiaries of the Company.

18. BANK LOANS AND OVERDRAFTS (Continued)

(e) The range of effective interest rates on the Group's bank loans and overdrafts is as follows:

	At 30 June 2012 %	At 31 December 2011 %
Effective interest rates:		
Fixed-rate bank loans	**7 - 18**	7 - 15
Variable-rate bank overdrafts and loans	**2 - 8**	2 - 7

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 Warrants $'000 (note (a))	2012 Warrants $'000 (note (b))	Total $'000
Derivative financial liabilities			
At 31 December 2011	39,309	—	39,309
2012 Warrants at issued date (note 17(c))	—	85,562	85,562
Fair value loss (note 4)	17,853	437	18,290
At 30 June 2012	57,162	85,999	143,161

(a) During the year ended 31 December 2011, the Company issued the 2011 Warrants with a total principal amount of $93,480,000 to RBI at a nil issue price. As further detailed in note 18(a)(ii), during the six months ended 30 June 2012, the Company and RBI entered into the Supplement 2011 Warrant Instrument, pursuant to which both parties agreed that the Expiry Surrender Premium of 15% per annum as stated in the 2011 Warrant Instrument is revised to 18% per annum. The Group incurred a fair value loss of the 2011 Warrants of $17,853,000 during the six months ended 30 June 2012. The details of terms of the 2011 Warrants are set out in notes 18(a)(i) and (ii).

(b) During the six months ended 30 June 2012, the Company issued the 2012 Warrants with a total principal amount of $116,400,000 to CMMA at a nil issue price. The details of terms of the 2012 Warrants are set out in note 17(c).

(c) No new shares of the Company were issued upon exercise of the 2011 Warrants and the 2012 Warrants during the six months ended 30 June 2012.

19. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The fair values of the 2011 Warrants and the 2012 Warrants in the following dates are determined based on the valuations performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using the binominal option pricing model. The following assumptions are used to calculate the fair values of the 2011 Warrants and the 2012 Warrants:

	2011 Warrants	2012 Warrants	
	At 30 June 2012	At issued date on 12 June 2012	At 30 June 2012
Closing share price ($)	1.29	1.31	1.29
Exercise price ($)	2.10	2.10	2.10
Expected remaining life of the Warrants (years)	2.15	5.00	4.95
Expected volatility (%)	49	53	54
Risk free rate (%)	0.18	0.44	0.37
Expected dividend yield (%)	0	0	0
Discount rate for discounting the future expiry surrender premium (%)	18	18	18

20. CONVERTIBLE BONDS

On 8 November 2010, the Company issued convertible bonds with an aggregate principal amount of $460,000,000, which include three tranches of nominal value of $235,000,000, $100,000,000 and $125,000,000 respectively, as part of the consideration for the acquisition of Decent Connection Overseas Limited ("Decent") and its subsidiaries (collectively "Decent Group"), to the vendor Simple Best Limited ("Simple Best"). The second and third tranches of the convertible bonds in an aggregate principal amount of $100,000,000 and $225,000,000 respectively are subject to a lock-up arrangement on the profit of Luanchuan County Jinxing Mining Co., Ltd.（欒川縣金興礦業有限責任公司）("Jinxing") guaranteed by Simple Best. Based on the audited financial statements of Jinxing issued on 27 April 2012, the audited profit after tax and exceptional items of Jinxing was more than the guaranteed profit of $100,000,000 for the financial year ended 31 December 2011. Accordingly, the lock-up arrangement for the second tranche of convertible bonds with a principal amount of $100,000,000 was released to Simple Best. On 2 May 2012, pursuant to a written notice signed between the Company and Simple Best, the Company agreed to redeem the second tranche of convertible bonds with principal amount of $100,000,000 for a cash consideration of $100,000,000 and Simple Best agreed to waive the interest of $4,808,000 payable to it by the Company. On 14 June 2012, the Company paid the cash consideration and cancelled the second tranche of convertible bonds. The Company incurred a gain on early redemption of the convertible bonds of $7,496,000 during the six months ended 30 June 2012 (note 4).

20. CONVERTIBLE BONDS (Continued)

	Liability component $'000	Equity component $'000	Total $'000
At 31 December 2011 and 1 January 2012	218,964	12,378	231,342
Derecognised upon redemption	(100,803)	(5,501)	(106,304)
Interest expense charged to condensed consolidated income statement (note 5(a))	8,302	—	8,302
Less: Interest payable (included in accrued charges and other payables)	(4,836)	—	(4,836)
At 30 June 2012	121,627	6,877	128,504

The convertible bonds entitle the holders to convert the bonds into ordinary shares of the Company at the conversion price of $2.1 per share at any time up to the third anniversary date from the date of issue of the convertible bonds. The convertible bonds bear interest at 6% per annum.

At the date of issue of the convertible bonds, the liability component and the equity component of the convertible bonds were determined based on a valuation 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 8% per annum.

21. CAPITAL AND RESERVES

(a) Share capital

	Number of shares '000	$'000
Authorised:		
Ordinary shares of $0.125 each		
At 31 December 2011 and 30 June 2012	10,000,000	1,250,000
Ordinary shares issued and fully paid:		
Ordinary shares of $0.125 each		
At 31 December 2011 and 1 January 2012	3,331,687	416,461
Issue of new shares	151,934	18,992
At 30 June 2012	3,483,621	435,453

On 14 February 2012, 151,933,701 new ordinary shares of the Company of $0.125 were issued at the issue price of $1.448 for settlement of unsecured payable (note 16(c)). These shares rank pari passu in all respects with then existing shares in issue.

21. 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.

During the year ended 31 December 2010, the Company issued two tranches of non-listed warrants, which include 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 for an aggregate consideration of $1,250,000. 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. During the six months ended 30 June 2012, no new share was issued upon exercise of Warrant A and Warrant B.

22. CAPITAL COMMITMENTS

At 30 June 2012, the Group had contracted capital commitments in respect of acquisition of gold mining and exploration rights of $491,000 (31 December 2011: $2,689,000) (note 12(iii)) and fixed assets of $5,284,000 (31 December 2011: $5,106,000) (note 14).

At 30 June 2012 and 31 December 2011, the Group had authorised but not contracted for significant capital commitments in respect of acquisition of gold mining and exploration rights and fixed assets. Details are set out in notes 12(i) and (ii) and 14.

23. PLEDGE OF ASSETS

The Group's assets with the following carrying amounts have been pledged to secure bills payables (note 16(b)), other borrowings (note 17) and bank loans and overdrafts (note 18):

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Intangible assets of mining rights	10(a)	**2,748,786**	1,851,727
Fixed assets	11(b)	**239,258**	244,910
Construction in progress	11(b)	**74,756**	4,287
Trade receivables	15	**—**	74,754
Inventories		**54,168**	—
Bank deposits		**48,594**	39,036
		3,165,562	2,214,714

Save as disclosed above, as at 30 June 2012, all issued shares of four (31 December 2011: two) indirect wholly-owned subsidiaries of the Company were subject to share charge as security pledged for other borrowings (notes 17(a) and (c)), and all issued shares of four (31 December 2011: four) indirect wholly-owned PRC subsidiaries of the Company, together with their respective immediate and intermediate investment holding companies, which hold all of the Group's mining rights and related mining structures, were subject to second ranking charge as security pledged for a bank loan (note 18(a)).

24. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2012 and 2011, the Group had the following related party transactions:

(i) During the period, Mr. Chang Yim Yang ("Mr. Chang"), an executive director and substantial shareholder of the Company, provided a personal guarantee to Minsheng for two loan facilities granted to the Group of RMB300,000,000 (equivalent to $354,400,000) and RMB250,000,000 (equivalent to $306,675,000) respectively (notes 17(a)(i) and (ii)) and to China Resource for a loan of RMB300,000,000 (equivalent to $368,000,000) (six months ended 30 June 2011: $nil) granted to the Group (note 17(b)).

(ii) On 29 December 2011, the Group and Mr. Chang entered into a loan agreement pursuant to which Mr. Chang agreed to lend a loan of $147,822,000 to the Group. The loan bears interest at the rate of 14.5% per annum and is unsecured and repayable on 28 December 2013. The Group repaid the entire loan during the period. The interest on loan from this related party recognised in the Group's condensed consolidated income statement during the period was $9,727,000 (six months ended 30 June 2011: $nil). As at 30 June 2012, the loan from a shareholder and director of $9,670,000 included in other borrowings represented loan interest payable to Mr. Chang (note 17) and the amount was subsequently fully repaid in July 2012.

(iii) During the period, the Group and Mr. Zhang Shuguang, an executive director of the Company, entered into a loan agreement pursuant to which Mr. Zhang Shuguang agreed to lend a loan of $6,000,000 to the Group (six months ended 30 June 2011: $nil) (note 17). The loan bears interest at the rate of 14.5% per annum and is unsecured and has no fixed repayment terms. The interest on loan from this related party recognised in the Group's condensed consolidated income statement during the period was $87,000 (six months ended 30 June 2011: $nil). The loan was fully repaid in July 2012.

(iv) During the period, Mr. Lam Cham ("Mr. Lam"), an executive director and substantial shareholder of the Company, and Mr. Dai Xiaobing ("Mr. Dai"), an executive director of the Company, provided personal guarantees and seven individual shareholders of the Company, including Mr. Lam and Mr. Dai, pledged their individual shares of the Company to RBI for a loan granted to the Company of US$40 million (equivalent to $312 million) (six months ended 30 June 2011: $nil) (note 18(a)).

24. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(v) During the period, a deputy general manager of a subsidiary of the Company provided personal guarantee of RMB20,000,000 (equivalent to $24,534,000) (six months ended 30 June 2011: RMB20,700,000 (equivalent to $24,326,000)) to a bank for a loan of RMB20,000,000 (equivalent to $24,534,000) (six months ended 30 June 2011: RMB20,000,000 (equivalent to $23,504,000)) granted to the Group (note 18(d)).

(vi) On 25 January 2011, the Group and a PRC company, which is controlled and owned by Mr. Zhang Shuguang, entered into a loan agreement pursuant to which the PRC Company agreed to lend a loan of RMB10,500,000 (equivalent to $12,404,000) to the Group. Mr. Zhang Shuguang was a senior management officer of the Group at the date of execution of the loan agreement and was subsequently appointed as the Company's director in September 2011. The loan bore interest at the rate of 7% per annum and was unsecured and fully repaid on 30 January 2011. The interest on loan from this related party recognised in the Group's consolidated income statement during the six months ended 30 June 2011 was $7,000.

(vii) During the year ended 31 December 2010, Pu Er An Yan Co., Ltd. (普洱市安岩有限公司), in which a deputy general manger of a subsidiary of the Company is a shareholder, pledged a bank deposit of RMB10,000,000 (equivalent to $11,752,000) to a bank for a loan of RMB9,000,000 (equivalent to $10,576,000) granted to the Group. On 2 March 2011, the Group repaid the bank loan and the bank deposit of the related party pledged as security was released.

(viii) In September 2010, the Group entered into a sale and purchase agreement with Chifeng Li Geng Mining Machinery Equipment Co., Ltd. ("Li Geng") (赤峰力更礦山機械設備有限公司), pursuant to which the Group agreed to purchase and Li Geng agreed to dispose of certain machineries at a total consideration of RMB5,800,000 (equivalent to $6,815,000) and the Group paid a deposit of RMB5,200,000 (equivalent to $6,110,000). A general manager of a subsidiary of the Group was the legal representative and the sole shareholder of Li Geng. In December 2010, the Group and Li Geng entered into an agreement to terminate the sale and purchase agreement. The deposit was fully refunded to the Group during the year ended 31 December 2011.

(ix) On 28 January 2011, a sum of RMB141,000,000 (equivalent to approximately $165,670,000) was advanced to an equipment supplier in which a deputy general manager of a subsidiary has interest. On 30 January 2011, this advance was fully repaid by the related equipment supplier to the Group.

24. RELATED PARTY TRANSACTIONS (Continued)

(b) 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	
	2012	2011
	$'000	$'000
Short-term employee benefits	**13,791**	5,978
Post-employment benefits	**52**	49
Equity-settled share-based payment expenses	**15,741**	—
	29,584	6,027

25. EVENTS AFTER THE REPORTING PERIOD

The Group had the following events after the reporting period:

(a) As further detailed in note 12(i), on 6 July, 2012, the Group and the Vendor entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to acquire entire equity interest in Sinowise for a consideration of RMB1,988,000,000 ("the Consideration"). The Consideration will be satisfied by cash of RMB994,000,000, which includes the set-off of the total deposits paid to the Vendor of RMB549,800,000 by the Group and the remaining amount of RMB444,200,000 (the "Final Installment") in cash payable to the Vendor during the period from the date of completion of the acquisition ("the Completion Date") and up to 31 December 2014, and the issue of 867,106,382 new ordinary shares of the Company of $0.125 each at an issue price of $1.41 per share with an aggregate amount of RMB994,000,000. In the event that the whole or part of the Final Installment is not paid on the Completion Date, the outstanding amount of the Final Installment shall bear interest at the rate of 6.8% per annum, payable in cash, to be calculated from the Completion Date up to the date of settlement of the relevant outstanding amount of the Final Installment. Further details are set out in the Company's announcement on 6 July 2012. The acquisition transaction has not been completed up to the date of approval of the interim condensed consolidated financial statements.

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

The Group had the following events after the reporting period: (Continued)

(b) On 31 May 2012, Norton Gold announced a recommended all cash off-market takeover offer from Zijin Mining Group Co., Ltd. ("Zijin"), a company listed in The Stock Exchange of Hong Kong Limited, through its subsidiary, for all shares of Norton Gold at an offer price of AUD0.25 per share ("the Offer"). Zijin has also offered to allow Norton Gold's shareholders to retain a special dividend of AUD0.02 per share that Norton Gold proposed to declare and pay, without any consequent reduction in the offer price. On 18 July 2012, the board of directors of Norton Gold made recommendation to its shareholders to accept the Offer and the shareholders of Norton Gold will be paid the offer price and special dividend within the later of one month after the date of receipt of a shareholder's acceptance and the date that the Offer becomes unconditional. On 23 July 2012, the Group submitted its acceptance of the Offer. On 2 August 2012, Norton Gold announced that the Offer became unconditional and the Offer was closed on 20 August 2012. In the opinion of the Company's directors, the estimated proceeds, including the special dividend, of the disposal of investment in Norton Gold will be approximately AUD23 million (notes 1(i) and 13(b)).

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2012

Up to the date of issue of the interim condensed consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 31 December 2012.

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.

HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Government Loans[2]
HKFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statetments[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial liabilities[3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]

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

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2012 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except as described below.

HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013.

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
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 condensed consolidated financial statements set out on pages 3 to 46, which comprises the condensed consolidated statement of financial position of China Precious Metal Resources Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2012 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 the interim condensed consolidated financial statements 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 condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial statements 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 condensed consolidated financial statements 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 condensed consolidated financial statements as at 30 June 2012 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 24 August 2012

Leung Chun Wa
Practising Certificate Number P04963

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

Group Results

During the period under review, the Group's turnover was approximately HK$646,156,000 (2011: HK$300,335,000). Profit for the period was approximately HK$154,130,000 (2011: HK$111,234,000).

During the period under review, the Group generated an earnings before interest, tax, depreciation and amortisation (adjusted "EBITDA") of approximately HK$450,263,000 (2011: HK$226,595,000) from its gold mining operations, which surged significantly by about 99% as compared with the same period last year. Earnings per share amounted to HK4.47 cents (2011: HK3.34 cents).

Selling and Distribution Costs

During the period under review, the Group's selling and distribution costs amounted to approximately HK$4,423,000, an increase of HK$2,852,000 (182%) compared to last year's fiscal period. Such an increase can be mainly attributed to the expansion of the Group's gold mining business.

Administrative Expenses

During the period under review, the Group's administrative expense increased by HK$53,885,000 (186%) to approximately HK$82,814,000. This increase was mainly due to the expansion of the Group's mining business.

Finance Costs

During the period under review, the group's finance costs amounted to HK$81,150,000, an 125% increase from last period (2011: HK$36,142,000), mainly consisting of interest on convertible bonds, bank and other borrowings and others. This increase was largely due to the expansion of the Group's financing activities.

Deferred Tax

As at 30 June 2012, deferred tax arising from mergers and acquisition of gold mines, which were acquired by the Group in previous years, amounted to HK$689,967,000 (31 December 2011: HK$706,970,000), which was calculated at a tax rate of PRC income tax of 25% on the increase in fair value of mining rights, and was subsequently offset on amortization of such increase in mining rights at a rate of 25%. Such liabilities were accounted for in accordance with the accounting principle and therefore no repayment is required.

Liquidity and Financial Resources

Cash flow of the Group remains healthy. The Group is in possession of reasonable operating cash flow and working capital due to strong growth in our operations. As of 30 June 2012, the Group's cash and bank equivalents and pledged bank deposit were HK$163,355,000 (31 December 2011: HK$125,998,000). Net assets were HK$3,986,638,000 (31 December 2011: HK$3,557,712,000) and net current liabilities were HK$307,460,000 (31 December 2011: HK$465,659,000).

Capital Structure

During the period under review, 151,933,701 new shares were issued.

As at 30 June 2012, the total number of issued ordinary shares of the Company was 3,483,620,933 shares (31 December 2011: 3,331,687,232 shares), each of HK$0.125.

As at 30 June 2012, the Group's gearing ratio, representing total liabilities (excluding deferred tax liabilities) over total assets, was 33.5% (31 December 2011: 30.7%).

Pledge of Assets

As of 30 June 2012, certain assets of the Group were pledged for bank and other borrowing, details are set out in note 23 in the interim report.

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 views that the Group's exposure to exchange rate risk limited.

Employees

As at 30 June 2012, the Group employed approximately 807 employees in the PRC and Hong Kong. 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.

The Group has implemented a share option scheme to reward eligible employees according to their individual performance. Through dedication and efforts of our management and employees, we aim to maximize the value of our shareholder, investors, management and employees.

Operation Results

During the period under review, the group produced 51,037 ounces (2011: 26,832 ounces) of gold and realized a sales income of HK$646,156,000 (2011: HK$300,335,000).

Investments

As at 30 June 2012, the fair value of the Group's investment in Norton Gold Fields Limited ("Norton Gold") was HK$159,814,000, which is based on the market value of the shares, an increase in fair value of HK$41,029,000 was recognized in the Group's consolidated statement of comprehensive income during the period.

Mergers and Acquisition

One of the many reasons the Group enjoys such a low-cost of production is that our mining zones are located on the two major fold belts of the PRC (namely Ailaoshan in Yunnan, and Xiaoqinling in Henan). Keeping in line with this cost-efficient strategy, the Group has continued to identify gold mines along the two major fold belts of the PRC that are underexplored and underdeveloped but have potential to generate significant value through additional exploration, production expansion and technological innovations.

As announced, we are currently in the final stages of acquiring Hengyi gold mine in Yunnan Province. On 6 July 2012 the Group signed a sale and purchase agreement to acquire the Hengyi gold mine, for a consideration of RMB1,988 million. The Hengyi gold mine includes Bianfushan and Shangzhai. The mines are located in Heping Town, Zhenyuan County, Pu'er City, Yunnan Province, the PRC. Bianfushan covers an area of around 2 km^2, with total JORC compliance gold resource of 412,000 ounces (12.8 tonnes) and average grade of 2.1g/t grade. Shangzhai, located approximately 15 kilometers northwest of Bianfushan, has a mining area of around 7 km^2 and total JORC compliance gold resource of 1,280,000 ounces (39.8 tonnes) with average grade of 3.0g/t. In addition to the mining licences, the project includes four licenced exploration areas in close vicinity with a total area of around 42 km^2. Due to the multiple stacked vein style of mineralisation, the exploration potential is excellent with high probability to increase the currently defined resources with additional drilling and/or trenching. On completion of the acquisition, the Group's gold resources and reserves will increase to more than 220 tonnes.

The exploration, development and mining production expenditures expensed and capitalised

During the period under review, the Group had expensed expenditures of HK$187,638,000 for exploration, development and mining production, and had capitalized expenditures of HK$579,226,000 for exploration, development and mining production.

Market Review

First quarter global gold demand totaled 1,097.6 tonnes (worth an estimated US$59.7 billion), representing a very slight decline compared to that of last quarter's due to a decline in demand in the jewelry and technology sectors. On the other hand, gold supply increased 5% due to modest growth in mine production and recycling. As a result, recent gold prices decreased in most currencies.

Despite recent decline, the gold market's outlook remains positive in the long term. Although global inflation is easing due to a substantial drop in energy and some agricultural commodities, the underlying trend is supportive of gold. The easing global inflation allows more potential for long-term extreme inflation related environments as a result of future government stimulus through unconventional monetary policy. Also, due to the uncertainties of economic prospects in the US, the unresolved structural issues in the euro zone, and the impact of geopolitical crises, gold will continue to be an asset that investors use to diversify risk and preserve capital. Furthermore, with most currencies under pressure in one form or another, gold is likely to provide a hedging mechanism for investors. Most importantly, assets traditionally considered "safe" are under pressure. Even with pressures on the price of gold, its lack of credit risk, liquidity and hedging characteristics have made gold an attractive vehicle for long-term wealth preservation.

Despite of the slight decline in global demand, the outlook for future demand is promising. Gold demand in China expanded to record levels in the first quarter of 2012, with total consumer demand surging 10% to reach a new quarterly high of 255.2 tonnes. Moreover, investment demand in the European markets remained strong, within the higher range established since the onset of the global economic crisis, with consumers sustaining the demand for gold bars and coins. Finally, central banks continued to buy gold; net purchases in first quarter amounted to 80.8 tonnes (7% of global gold demand). Diversification requirements and growth in the foreign exchange reserves of a number of countries point towards a continuation of this trend. The upward trend of gold prices and the strong market demand is set to drive the profitability of the Group in the next few years.

Prospects

Since the Group started focusing on the development of the gold mining business in 2009, we have become one of the largest gold producers in China. Our proven track record, along with evidences of explosive growth and quality operations, has demonstrated that the Group is on its way to achieving another successful year.

The Group is expected to continue to reap the harvest of its stringent adherence to production safety and environmental protection laws and measures, scientific research, quality operation from well-founded development projects, and corporate social responsibility initiatives.

The Group takes production safety and environmental protection very seriously and goes through painstaking prevention measures, resulting in a zero-injury record for the period under review. Our measures include strengthening measures for high hazardous facilities (tailing dams and dumps), identifying hidden problems, enhancing supervision and control over the entire process to eliminate dangers, preventing heavy metal pollution, and raising safety awareness. The Group also highly values scientific research and development that improves the recovery rate, leaching efficiency, and mine drainage treatments. We are continuously on the outlook for innovative methods to cut costs and maximize efficiency.

The Group also aims to achieve greater production and more effective economic management. We strive to improve production volume rate in each of our mining areas. We are in the process of expanding our output and applying for new production scale permits with larger limits. Furthermore, the Group's exploration efforts have been met with a lot of success. In the near future, the Group will likely bring considerable increases in our gold reserves and resources and extend the life of our mines. In terms of economic management, the Group will continue to analyze and forecast the market, carry out strategic management, accelerate cash flow, and fortify market development.

Lastly, the Group is determined and committed to strengthening our corporate social responsibility initiatives and to building a better image. The Group is promoting development, fostering community service and helping to support the local communities. As a result, the Group has garnered support from the local government, which will form a strong cornerstone for the Group's future consolidation of regional resources.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 June 2012, 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:

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest	Long/ short position	Number of underlying shares held under equity derivatives (e)
Mr. LAM Cham	Corporate (a)	278,148,670	7.98%	Long	
	Personal (a)	7,400,000	0.21%	Long	20,000,000
	Personal (a)	6,000,000	0.17%	Short	
Mr. CHANG Yim Yang	Corporate (b)	132,188,000	3.79%	Long	
	Personal (b)	19,172,000	0.55%	Long	20,000,000
Mr. DAI Xiaobing	Personal (c)	11,000,000	0.32%	Long	20,000,000
	Personal (c)	10,000,000	0.29%	Short	
Professor WONG Lung Tak, Patrick, *BBS, PhD, J.P.*	Personal (d)	800,000	0.02%	Long	3,000,000
Mr. CHAN Kin Sang	Personal (d)	800,000	0.02%	Long	3,000,000
Mr. DENG Guoli	Personal	–	–	–	20,000,000
Mr. ZHANG Shuguang	Personal	10,300,000	0.30%	Long	20,000,000
Mr. WANG, John Peter Ben	Personal	–	–	–	3,000,000
Professor XIAO Rong Ge	Personal (d)	–	–	–	3,000,000

(a) Aswell Group Limited ("**Aswell Group**") is a company beneficially owned as to approximately 29.4% by Mr. LAM Cham. Accordingly, Mr. LAM Cham is taken to be interested in the Shares held by Aswell Group.

Apart from his indirect interests through Aswell Group, 7,400,000 Shares are directly and beneficially owned by Mr. LAM Cham, out of which 6,000,000 shares have been pledged.

(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.

Apart from his indirect interests through Lead Pride, 19,172,000 Shares are directly and beneficially owned by Mr. CHANG Yim Yang.

(c) Among the interest directly and beneficially owned by Mr. DAI Xiaobing, 10,000,000 shares have been pledged.

(d) Mr. CHAN Kin Sang, Professor XIAO Rong Ge and Professor WONG Lung Tak, Patrick are independent non-executive Directors.

(e) These represent the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the sub-section entitled "Share Options Scheme" below.

Save as disclosed above, as at 30 June 2012, 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 2012.

SHARE OPTIONS SCHEME

A share option scheme (the "**Share Option Scheme**") was 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 is set out in the annual report of the Company for the year ended 31 December 2011.

During the six months ended 30 June 2012, no options have been granted or exercised under the Share Option Scheme. Details of the outstanding share options as at 30 June 2012 under the Share Option Scheme are as follows:

	Date of grant	Exercise Price HK$	Number of option shares Outstanding at 1 January 2012	Lapsed during the period	Outstanding at 30 June 2012
Mr. Lam Cham	28 October 2011	1.51	20,000,000	–	20,000,000
Mr. Dai Xiaobing	28 October 2011	1.51	20,000,000	–	20,000,000
Mr. Chang Yim Yang	28 October 2011	1.51	20,000,000	–	20,000,000
Mr. Deng Guoli	28 October 2011	1.51	20,000,000	–	20,000,000
Mr. Zhang Shuguang	28 October 2011	1.51	20,000,000	–	20,000,000
Mr. Wang, John Peter Ben	28 October 2011	1.51	3,000,000	–	3,000,000
Professor Wong Lung Tak Patrick, *BBS, PhD, J.P.*	28 October 2011	1.51	3,000,000	–	3,000,000
Mr. Chan Kin Sang	28 October 2011	1.51	3,000,000	–	3,000,000
Professor Xiao Rong Ge	28 October 2011	1.51	3,000,000	–	3,000,000
Other senior management staff and employees	28 October 2011	1.51	221,100,000	9,000,000	212,100,000
Total			333,100,000	9,000,000	324,100,000

The share options are valid for 6 years from 28 October 2011 to 27 October 2017 and vest in the grantees with vesting periods of 24 months, 36 months and 48 months from the date of grant for 30%, 40% and 30% of the total number of the share options granted respectively. Further details of the share options are set out in the announcements of the Company dated 28 October 2011 and 31 October 2011.

The share options granted are recognised in the interim financial report. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the Black-Scholes option pricing model after taking into accounts the terms and conditions upon which the options were granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option pricing model.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2012, 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 and 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 and underlying shares of the Company

Name of shareholders	Nature of interest and capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and equity derivatives) of the Company	Total Percentage
Aswell Group	Corporate (Note 1)	278,148,670	–	7.98%
Raiffeisen Bank International AG	Corporate (Note 2)	353,400,000	44,514,285	11.42%

Notes:

1. Aswell Group is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to approximately 29.4% by Mr. LAM Cham.

2. Raiffeisen Bank International AG, the holder of HK$93,480,000 in face value warrants of the Company which will entitle the warrant holder to subscribe for 44,514,285 new Shares in full at the subscription price of HK$2.10 per new Share (subject to adjustments from time to time).

   Raiffeisen Bank International AG has a security interest in Shares held by seven individual Shareholders and none of them is a controlling shareholder of the Company (as defined in the Listing Rules). The charge of Shares is a total of 353,400,000 Shares.

The interest stated above represented long positions. As at 30 June 2012, 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.

AUDIT COMMITTEE

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 and agreed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated interim accounts for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 to the Listing Rules has been amended and renamed the "Corporate Governance Code" (the "New Code") effective from 1 April 2012. The Company has complied with all the code provisions of the Former Code and the New Code during the period from 1 January 2012 to 31 March 2012 and the period from 1 April 2012 to 30 June 2012 respectively.

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 2012 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. Lam Cham, Mr. Chang Yim Yang, Dr. Dai Xiaobing, Mr. Deng Guoli, Mr. Zhang Shuguang and Mr. Zhang Liwei. The non-executive Director is Mr. Wang John Peter Ben. The independent non-executive Directors are Professor Xiao Rong Ge, Professor Wong Lung Tak, Patrick, BBS, PhD, J.P. and Mr. Chan Kin Sang.

Mr. Lam Cham is the Chairman, Dr. Dai Xiaobing is the Co-chairman, Mr. Zhang Shuguang is Chief Executive Officer and Mr. Zhang Liwei is Chief Financial Officer of the Company.

By Order of the Board
China Precious Metal Resources Holdings Co., Ltd.
Lam Cham
Executive Director

Hong Kong, 24 August 2012

CORPORATE INFORMATION

Board of Directors

Executive Directors

LAM Cham *(Chairman)*
DAI Xiaobing *(Co-Chairman)*
CHANG Yim Yang
DENG Guoli
ZHANG Shuguang
(Chief Executive Officer)
ZHANG Liwei
(Chief Financial Officer)

Non-executive Director

WANG John Peter Ben

Independent Non-executive Directors

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

Company Secretary

YIM Siu Hung

Authorised Representatives

LAM Cham
DAI Xiaobing

Audit Committee

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

Remuneration Committee

LAM Cham *(Chairman)*
WONG Lung Tak, Patrick,
BBS, PhD, J.P.
CHAN Kin Sang

Nomination Committee

LAM Cham *(Chairman)*
WONG Lung Tak, Patrick,
BBS, PhD, 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

Crowe Horwath (HK) 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:
Bank of China (Hong Kong) Limited
Bank of Communications Hong Kong Branch
Standard Chartered Bank

In the PRC:
China Construction Bank Song Shan Sub-Branch
Industrial & Commercial Bank of China Luanchuan Sub-Branch
Agricultural Bank of China Luanchuan County Tantou Fenlichu
Mojiang County Rural Credit Cooperatives

Website of the Company

http://cpm.etnet.com.hk