



**DEJIN RESOURCES GROUP COMPANY LIMITED**

**德金資源集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1163)**

A large, three-dimensional, glowing 'D' logo is the central focus of the page. It is housed within a dark, reflective glass box that has a metallic sheen. The 'D' itself is white and appears to be illuminated from within, creating a bright glow. The background is a warm, golden-brown color with a grid of thin, white lines that create a sense of depth and perspective, as if looking through a window or a glass structure. The overall aesthetic is modern and professional.

**Interim Report 2011**

**Build up** the  
Bright **future**

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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Cheung Wai Yin, Wilson  
(*Chairman and Chief Executive Officer*)  
Mr. Lau Chi Yan, Pierre  
Mr. Liu Hui Cai

#### Independent Non-executive Directors

Mr. Ma Chun Fung, Horace  
Ms. Pang Yuen Shan, Christina  
Mr. Anthony John Earle Grey

### REGISTERED OFFICE

Clarendon House,  
2 Church Street,  
Hamilton HM 11, Bermuda

### PRINCIPAL PLACE OF BUSINESS

Room 2601-04 and 38-40, 26/F.,  
Sun Hung Kai Centre,  
30 Harbour Road,  
Wanchai, Hong Kong

### AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Cheung Wai Yin, Wilson  
Mr. Chan Ka Wing

### COMPANY SECRETARY

Mr. Chan Ka Wing

### AUDITOR

Pan-China (H.K.) CPA Limited

### STOCK CODE & COMPANY'S WEBSITE

1163  
[www.dejinresources.com](http://www.dejinresources.com)

### AUDIT COMMITTEE MEMBERS

Mr. Ma Chun Fung, Horace (*Chairman*)  
Ms. Pang Yuen Shan, Christina  
Mr. Anthony John Earle Grey

### REMUNERATION COMMITTEE MEMBERS

Ms. Pang Yuen Shan, Christina (*Chairman*)  
Mr. Cheung Wai Yin, Wilson  
Mr. Ma Chun Fung, Horace

### PRINCIPAL BANKERS

The Hongkong & Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
The Bank of China (Hong Kong) Limited

### PRINCIPAL SHARE REGISTRAR & PRINCIPAL TRANSFER OFFICE

HSBC Securities Services  
(Bermuda) Limited  
Bank of Bermuda Building, 6 Front  
Street, Hamilton HM 11, Bermuda

### HONG KONG BRANCH SHARE REGISTRAR & BRANCH TRANSFER OFFICE

Tricor Tengis Limited  
26/F., Tesbury Centre,  
28 Queen's Road East,  
Wanchai, Hong Kong



## INTERIM RESULTS

The board of directors (the “Board”) of Dejin Resources Group Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2011, together with the comparative amounts for the corresponding period in 2010, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	2010
	<i>Notes</i>	<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	3	<b>125,211</b>	446,464
Cost of sales		<b>(97,969)</b>	(314,182)
<b>Gross profit</b>		<b>27,242</b>	132,282
Other income and gains	4	<b>251</b>	5,197
Gain on disposal of subsidiaries		–	21,407
Selling and distribution costs		<b>(5,511)</b>	(17,464)
Administrative expenses		<b>(16,100)</b>	(66,472)
Other operating expenses		<b>(541)</b>	(6,828)
<b>Operating profit</b>		<b>5,341</b>	68,122
Finance costs	5	<b>(37,327)</b>	(27,333)
<b>(Loss)/profit before taxation</b>	6	<b>(31,986)</b>	40,789
Income tax expense	7	<b>(1,799)</b>	(2,675)
<b>(Loss)/profit for the period</b>		<b>(33,785)</b>	38,114
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(33,436)</b>	36,503
Non-controlling interests		<b>(349)</b>	1,611
		<b>(33,785)</b>	38,114
<b>Dividends</b>	8	–	–
<b>(Loss)/earnings per share</b>	9		
– Basic		<b>HK(0.4) cent</b>	HK2.7 cents
– Diluted		<b>N/A</b>	HK0.5 cent



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
<b>(Loss)/profit for the period</b>	<b>(33,785)</b>	38,114
Other comprehensive income/(expense):		
Exchange differences eliminated on disposal of subsidiaries	-	(4,579)
Exchange differences arising from translation of foreign subsidiaries	<u>3,452</u>	<u>692</u>
<b>Total comprehensive (expense)/income for the period</b>	<b><u>(30,333)</u></b>	<b><u>34,227</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>(30,124)</b>	32,565
Non-controlling interests	<b><u>(209)</u></b>	<u>1,662</u>
	<b><u>(30,333)</u></b>	<b><u>34,227</u></b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2011 (unaudited) <i>HK\$'000</i>	At 31 December 2010 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		25,103	24,938
Land use rights		35,983	35,103
Biological assets		334,000	334,000
Goodwill		844,275	844,275
Mining rights		6,532,545	6,532,545
Exploration and evaluation assets		113,420	78,044
		<u>7,885,326</u>	<u>7,848,905</u>
<b>Current assets</b>			
Inventories		1,671	275
Trade and bill receivables	10	25,819	126,342
Prepayments, deposits and other receivables		248,644	182,624
Cash and cash equivalents		36,166	57,084
		<u>312,300</u>	<u>366,325</u>
<b>Current liabilities</b>			
Bank borrowings		-	42,882
Trade payables	11	2,022	25,661
Other payables and accruals		16,085	68,321
Amount due to a related company		37	37
Tax liabilities		44,584	44,584
		<u>62,728</u>	<u>181,485</u>
<b>Net current assets</b>		<u>249,572</u>	<u>184,840</u>
<b>Total assets less current liabilities</b>		<u>8,134,898</u>	<u>8,033,745</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	At <b>30 June 2011</b> <b>(unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	At 31 December 2010 (audited) <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>120,607</b>	126,310
Provision for land restoration and environmental cost	<b>64,052</b>	64,052
Promissory notes	<b>74,981</b>	82,907
Convertible notes	<b>2,163,188</b>	2,448,523
	<b>2,422,828</b>	2,721,792
<b>Net assets</b>	<b>5,712,070</b>	5,311,953
<b>Capital and reserves</b>		
Share capital	12 <b>914,073</b>	820,740
Reserves	<b>4,766,488</b>	4,459,495
<b>Equity attributable to owners of the Company</b>	<b>5,680,561</b>	5,280,235
Non-controlling interests	<b>31,509</b>	31,718
<b>Total equity</b>	<b>5,712,070</b>	5,311,953



## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Asset revaluation reserve	Exchange fluctuation reserve	Share based payment reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2010 (audited)	104,378	194,519	286	-	22,201	4,045	821	383,986	710,236	-	710,236
Profit for the period	-	-	-	-	-	-	-	36,503	36,503	1,611	38,114
Other comprehensive expense for the period	-	-	-	-	-	(3,887)	-	-	(3,887)	-	(3,887)
Total comprehensive income/(expense) for the period	-	-	-	-	-	(3,887)	-	36,503	32,616	1,611	34,227
Issue of convertible notes	-	-	-	573,145	-	-	-	-	573,145	-	573,145
Conversion of convertible notes	258,500	1,296,500	-	(149,906)	-	-	-	1,405,094	-	-	1,405,094
Exercise of share options	1,029	3,827	-	-	-	-	(821)	4,035	-	-	4,035
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	29,611	29,611
As at 30 June 2010 (unaudited)	363,907	1,494,846	286	423,239	22,201	158	-	420,489	2,725,126	31,222	2,756,348
As at 1 January 2011 (audited)	820,740	3,800,543	286	219,197	-	3,178	-	436,291	5,280,235	31,718	5,311,953
Loss for the period	-	-	-	-	-	-	-	(33,436)	(33,436)	(349)	(33,785)
Other comprehensive income for the period	-	-	-	-	-	3,312	-	-	3,312	140	3,452
Total comprehensive income/(expense) for the period	-	-	-	-	-	3,312	-	(33,436)	(30,124)	(209)	(30,333)
Placing of new shares	35,000	70,000	-	-	-	-	-	-	105,000	-	105,000
Share issuance expenses	-	(843)	-	-	-	-	-	-	(843)	-	(843)
Conversion of convertible notes	58,333	296,823	-	(28,863)	-	-	-	-	326,293	-	326,293
As at 30 June 2011 (unaudited)	914,073	4,166,523	286	190,334	-	6,490	-	402,855	5,680,561	31,509	5,712,070





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Net cash (used in)/generated from operating activities	<b>(52,657)</b>	62,709
Net cash used in investing activities	<b>(20,561)</b>	(19,638)
Net cash generated from/(used in) financing activities	<b>51,275</b>	(70,035)
Net decrease in cash and cash equivalents	<b>(21,943)</b>	(26,964)
Cash and cash equivalents at the beginning of the period	<b>57,084</b>	171,489
Effect of foreign exchange rates changes	<b>1,025</b>	(168)
Cash and cash equivalents at the end of the period	<b>36,166</b>	144,357
Analysis of balances of cash and cash equivalents Cash and bank balances	<b>36,166</b>	144,357



Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2010, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time adopters <sup>3</sup>
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time adopters <sup>5</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>5</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets <sup>6</sup>
HKAS 24 (as revised in 2009)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>2</sup>
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

1. Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2. Effective for annual periods beginning on or after 1 February 2010
3. Effective for annual periods beginning on or after 1 July 2010
4. Effective for annual periods beginning on or after 1 January 2011
5. Effective for annual periods beginning on or after 1 July 2011
6. Effective for annual periods beginning on or after 1 January 2012
7. Effective for annual periods beginning on or after 1 January 2013

The adoption of the new and revised HKFRSs has had no significant financial effect on the condensed consolidated interim financial statements.



### 3. SEGMENT INFORMATION

The Group's operating segments, reported to the chief operating decision maker, an executive director of the Group, for the purposes of resource allocation and performance assessment are as follows:

1. Gold Mining operation
2. Lighting operation
3. Forestry operation

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

#### For the six months ended 30 June 2011

	Gold mining operation HK\$'000	Lighting operation HK\$'000	Forestry operation HK\$'000	Total HK\$'000
Segment revenue	<u>12,873</u>	<u>111,075</u>	<u>1,263</u>	<u>125,211</u>
Segment results	<u>7,446</u>	<u>18,981</u>	<u>815</u>	<u>27,242</u>
Unallocated corporate income				251
Unallocated corporate expenses				(22,152)
Finance costs				<u>(37,327)</u>
Loss before taxation				<u>(31,986)</u>

#### For the six months ended 30 June 2010

	Gold mining operation HK\$'000	Lighting operation HK\$'000	Forestry operation HK\$'000	Total HK\$'000
Segment revenue	<u>12,650</u>	<u>430,864</u>	<u>2,950</u>	<u>446,464</u>
Segment results	<u>7,445</u>	<u>121,887</u>	<u>2,950</u>	<u>132,282</u>
Unallocated corporate income				26,604
Unallocated corporate expenses				(90,764)
Finance costs				<u>(27,333)</u>
Profit before taxation				<u>40,789</u>



#### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Bank interest income	16	460
Gross rental income from investment properties	–	345
Exchange gain	234	2,008
Sample income	–	1,557
Dividend income	–	5
Sundry income	1	822
	<u>251</u>	<u>5,197</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Imputed interest on convertible notes	35,253	25,818
Imputed interest on promissory notes	2,074	1,467
Bank overdraft interest	–	48
	<u>37,327</u>	<u>27,333</u>

#### 6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Depreciation	1,563	11,667
Impairment loss of goodwill	–	4,060
Provision for obsolete inventories	–	4,136
Provision for bad and doubtful debt	–	5,508
	<u>1,563</u>	<u>25,371</u>



## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC enterprise income tax	1,799	3,181
Other jurisdictions	—	(506)
	<u>1,799</u>	<u>2,675</u>

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses during the current and prior periods. The People's Republic of China ("PRC") enterprise income tax has been provided at the rate of 25% (2010: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the countries in which the Group operates.

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2011 (2010: Nil).

## 9. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings:		
(Loss)/earnings for the purpose of basic earnings per share attributable to owners of the Company	(33,436)	36,503
Effect of dilutive potential ordinary shares:		
– Imputed interest on convertible notes	<u>35,253</u>	<u>25,818</u>
Earnings for the purpose of diluted earnings per share attributable to owners of the Company	<u>1,817</u>	<u>62,321</u>



## 9. (LOSS)/EARNINGS PER SHARE (continued)

	2011 '000	2010 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>8,972,132</b>	1,341,655
Effect of dilutive potential ordinary shares:		
– Convertible notes issued by the Company	<b>3,846,667</b>	11,245,744
	<u>                    </u>	<u>                    </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>12,818,799</b>	12,587,399
	<u>                    </u>	<u>                    </u>

For the period ended 30 June 2011, no dilutive earnings per share has been presented as the conversion of the Company's outstanding convertible notes could result in an increase in the earnings per share.

## 10. TRADE AND BILL RECEIVABLES

An aged analysis of the trade and bill receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>At 30 June 2011 (unaudited) HK\$'000</b>	At 31 December 2010 (audited) HK\$'000
0 – 30 days	–	33,648
31 – 90 days	<b>71</b>	79,229
91 – 180 days	<b>141</b>	11,708
181 – 360 days	<b>23,487</b>	733
Over 360 days	<b>2,120</b>	1,024
	<u>                    </u>	<u>                    </u>
	<b>25,819</b>	126,342
	<u>                    </u>	<u>                    </u>

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30 to 90 days of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.



## 11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>At 30 June 2011 (unaudited) HK\$'000</b>	At 31 December 2010 (audited) HK\$'000
0 – 90 days	<b>1,900</b>	25,654
91 – 180 days	<b>122</b>	–
181 – 360 days	–	–
Over 360 days	–	7
	<b><u>2,022</u></b>	<b><u>25,661</u></b>

The trade payables are non-interest bearing and are normally settled on 60 days terms.

## 12. SHARE CAPITAL

	<b>Company Number of shares '000</b>	<b>Nominal values HK\$'000</b>
Ordinary shares of HK\$0.1 each		
<b>Authorised:</b>		
As at 1 January 2010 (audited)	2,000,000	200,000
Increase during the year	<u>23,000,000</u>	<u>2,300,000</u>
As at 31 December 2010 (audited) and 30 June 2011 (unaudited)	<b><u>25,000,000</u></b>	<b><u>2,500,000</u></b>
<b>Issued and fully paid:</b>		
As at 1 January 2010 (audited)	1,043,778	104,378
Issuance of shares pursuant to conversion of convertible notes	7,153,333	715,333
Exercise of share options	<u>10,288</u>	<u>1,029</u>
As at 31 December 2010 (audited)	<b>8,207,399</b>	<b>820,740</b>
Placing of new shares	<b>350,000</b>	<b>35,000</b>
Issuance of shares pursuant to conversion of convertible notes	<b><u>583,333</u></b>	<b><u>58,333</u></b>
As at 30 June 2011 (unaudited)	<b><u>9,140,732</u></b>	<b><u>914,073</u></b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Turnover generated for the period ended 30 June 2011 amounted to HK\$125.2 million (30 June 2010: HK\$446.5 million), representing a 72% decrease over the previous corresponding period. Loss attributable to owners of the Company for the period amounted to HK\$33.4 million, compared to a profit of HK\$36.5 million reported in the corresponding period of last year. The loss was mainly due to the recognition of imputed interest in respect of the promissory notes and convertible notes issued by the Company in May 2010 for the acquisitions of the entire equity interests in Goldpic Investments Limited (together with its subsidiaries, the "Hebei Target Group") and Mark Unison Limited (together with its subsidiaries, the "Shandong Target Group"), which two companies indirectly own seven gold mines in Hebei Province, PRC and two gold mines in Shandong Province, PRC respectively; the decrease in contribution from the lighting segment; and the one-off gain on disposal of subsidiaries recognized for the last corresponding period in 2010.

As at 30 June 2011, the Group's equity attributable to owners of the Company amounted to HK\$5,680.5 million, an increase of HK\$400.3 million over the audited figure as at 31 December 2010 of HK\$5,280.2 million. The net asset value per share attributable to owners of the Company as at 30 June 2011 was HK\$0.63 (31 December 2010: HK\$0.64).

### Lighting Segment

For the period under review, the export market, especially the United States of America (the "US") market, continued to be the main source of revenue. The US economy was affected by the sluggish performance of the US market, the cut in customer spending and the pressure of Renminbi currency appreciation, leading to a significant reduction of sales orders of home lighting products.

To cope with rising costs and to remain competitive in the market, the Group has been negotiating with a portfolio of suppliers for a stable and reliable supply with competitive pricing. Further, the Group will continue to put more efforts into product design, product quality control and marketing campaigns.

### Gold Mining Segment

For the period under review, the total amount of unprocessed gold ore sold to customers was approximately 1,298 tonnes with reported turnover of approximately HK\$12.9 million. The Group continues to review the development status of each gold mine and to plan ahead in order to allocate appropriate resources to individual gold mines. Management will continue to work with the local governments of Qinglong County and Longhua County to procure the reorganization of the gold mine resources in these two jurisdictions.





Commercial production has not yet commenced at the two acquired gold mines in Shandong, namely, Sujiakou gold mine and Xiapangezhuang gold mine and several gold mines in Hebei including Mazhazi gold mine, Qidaohexiang gold mine and Dayinzi gold mine. The Group will continue to look for opportunities to raise funds to finance capital expenditures at our existing gold mines.

As disclosed in the announcement of the Company dated 27 September 2009, (i) the vendor (the "Hebei Vendor") of the seven gold mines in Hebei had guaranteed that for the period from 13 May 2010 (being date of completion of acquisition) to 31 December 2011 (the "Profit Guarantee Period"), the audited consolidated net profits attributable to the Company after tax, minority interest and any extraordinary or exceptional items of the Hebei Target Group should, in aggregate, be not less than HK\$950 million (the "Hebei Profit Guarantee"); and (ii) the vendor (the "Shandong Vendor") of the two gold mines in Shandong had guaranteed that the audited consolidated net profits attributable to the Company after tax, minority interest and any extraordinary or exceptional items of the Shandong Target Group should, in aggregate, be not less than HK\$160 million (the "Shandong Profit Guarantee") for the Profit Guarantee Period. After deliberation of the development progress of the gold mines in Hebei and Shandong, in particular, commercial production of several gold mines in Hebei and the two gold mines in Shandong has not yet commenced, the Board anticipates that the Hebei Profit Guarantee and the Shandong Profit Guarantee are hardly to be met.

In the event that any of the Hebei Profit Guarantee and the Shandong Profit Guarantee cannot be met, the Company has the right to set off the shortfall against the payment obligations of the Company under the corresponding convertible notes held by the Hebei Vendor or the Shandong Vendor and pledged with the Company on a dollar to dollar basis. The Board believes that any failure of fulfillment of the profit guarantee will not have material adverse effect of the financial position of the Group.

### **Forestry Segment**

For the period under review, the Group sold timber products in Guangdong Province, PRC and reported a turnover of approximately HK\$1.3 million. The Group will continue to develop value-added products to strengthen its competitive edge and enhance the value of our forestry resources.

### **Prospects**

Pursuant to the non-legally binding strategic cooperation framework agreement entered into between the Company and China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") dated 9 May 2011, the Group and NFC are working towards the commencement, shortly, of the gold mine exploitation activities and the construction of gold ore processing facilities and various components of the basic infrastructure at Longfeng gold mine. Leveraging the expertise and skills of NFC, the Group expects to complete project planning and initial construction of part of the exploitation facilities for Longfeng gold mine by the end of 2011.



The Group has been working very closely with the local governments of Longhua County and Qinglong County to procure the consolidation and reorganization of the gold mines resources in these two jurisdictions. The Group expects this collaboration to strengthen its competitive edge in the gold mining business in the Hebei Province.

In addition, the Group will continue to seek opportunities to acquire more quality gold mines locally and internationally to further increase its gold resources and to maintain its competitive edge in the market.

### Financial Resources and Liquidity

The financial leverage of the Group as at 30 June 2011, as compared to 31 December 2010 is summarized below:

	<b>As at</b>	
	<b>30 June 2011 (unaudited) HK\$'000</b>	31 December 2010 (audited) HK\$'000
Total debt		
– from banks	–	42,882
– from promissory notes	<b>74,981</b>	82,907
– from convertible notes	<b>2,163,188</b>	2,448,523
Sub-total	<b>2,238,169</b>	2,574,312
Cash and bank deposits	<b>36,166</b>	57,084
Net debt	<b>2,202,003</b>	2,517,228
Total capital (Equity and total debt)	<b>7,950,239</b>	7,886,265
Total assets	<b>8,197,626</b>	8,215,230
Financial leverage		
– total debt to total capital	<b>28.2%</b>	32.6%
– total debt to total assets	<b>27.3%</b>	31.3%
– net debt to total capital	<b>27.7%</b>	31.9%
– net debt to total assets	<b>26.9%</b>	30.6%

### Pledge of Assets

As at 30 June 2011, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (31 December 2010: Nil).

### Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities (31 December 2010: Nil).



## Foreign Exchange Exposure

The Group operates and invests mainly in Hong Kong and Mainland China, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. There were no derivative financial instruments employed during the period ended 30 June 2011.

## Employees and Remuneration Policies

As at 30 June 2011, the Group had approximately 350 employees (31 December 2010: approximately 400 employees). We remunerate our employees based on their performance and prevailing industry practice. Remuneration policies will be reviewed by the Board on a periodical basis to maintain the Group's competitiveness in the market. In addition, discretionary bonuses and employee share options will be awarded to employees based on their performance in order to motivate and retain our employees.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the interests of directors of the Company in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### Long position in the issued ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage <sup>#</sup> of the Company's issued share capital
Mr. Cheung Wai Yin, Wilson ( <i>Note</i> )	Interest held by controlled corporation	100,000,000	1.09%

*Note:* Mr. Cheung Wai Yin, Wilson was deemed to be interested in 100,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

<sup>#</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2011.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Save as disclosed above, as at 30 June 2011, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken 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, to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, the following parties had interests of 5% or more of the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### A. Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Notes	Percentage <sup>a</sup> of the Company's issued share capital
Perfect Direct Limited	Beneficial owner	899,999,999	1&4	9.84%
Sleek Thrive Limited	Interest held by controlled corporation	899,999,999	1&4	9.84%
Mr. Woo Hung Chow	Interest held by controlled corporations	899,999,999	1&4	9.84%
Mr. Mow Tai Loy	Interest held by controlled corporation	899,999,999	1&4	9.84%
Ms. Yiu Mei Lan	Interest held by spouse	899,999,999	2&4	9.84%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	899,999,999	1&4	9.84%



## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

### A. Long position in issued ordinary shares of the Company (continued)

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Notes	Percentage <sup>#</sup> of the Company's issued share capital
Ms. Peggy Wong	Interest held by spouse	899,999,999	2&4	9.84%
Super Master Investments Limited	Beneficial owner	815,000,000	3&4	8.91%
Mr. Cheng Pak Lung	Interest held by controlled corporation	815,000,000	3&4	8.91%

Notes:

- These shares were held by Perfect Direct Limited, a controlled corporation of Sleek Thrive Limited (a corporation wholly owned by Mr. Woo Hung Chow), Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.
- Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these shares through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton respectively, substantial shareholders of the Company.
- These shares were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.
- These substantial shareholders had interests in both issued shares and underlying shares of the Company.

<sup>#</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2011.

### B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	Notes	Percentage <sup>#</sup> of the underlying shares over the Company's issued share capital
Perfect Direct Limited	Beneficial owner	2,148,333,335	1&4	23.50%
Sleek Thrive Limited	Interest held by controlled corporation	2,148,333,335	1&4	23.50%



## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

### B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes (continued)

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	Notes	Percentage <sup>a</sup> of the underlying shares over the Company's issued share capital
Mr. Woo Hung Chow	Interest held by controlled corporations	2,148,333,335	1&4	23.50%
Mr. Mow Tai Loy	Interest held by controlled corporation	2,148,333,335	1&4	23.50%
Ms. Yiu Mei Lan	Interest held by spouse	2,148,333,335	2&4	23.50%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	2,148,333,335	1&4	23.50%
Ms. Peggy Wong	Interest held by spouse	2,148,333,335	2&4	23.50%
Super Master Investments Limited	Beneficial owner	500,000,000	3&4	5.47%
Mr. Cheng Pak Lung	Interest held by controlled corporation	500,000,000	3&4	5.47%

*Notes:*

1. Sleek Thrive Limited, Mr. Woo Hung Chow, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton were deemed to be interested in these 2,148,333,335 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK\$1,289,000,001 at the initial conversion price of HK\$0.60 per conversion share. Such convertible notes were held by Perfect Direct Limited, a controlled corporation of Sleek Thrive Limited (a corporation wholly owned by Mr. Woo Hung Chow), Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.
2. Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these underlying shares of the Company through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton respectively.



## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

### B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes (continued)

*Notes: (continued)*

3. Mr. Cheng Pak Lung was deemed to be interested in these 500,000,000 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK\$300,000,000 at the initial conversion price of HK\$0.60 per conversion share. Such convertible notes were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.

4. These substantial shareholders had interests in both issued shares and underlying shares of the Company.

# The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

At the Company's annual general meeting held on 20 May 2011, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 25 April 2002 (the "Terminated Scheme") and the adoption of a new share option scheme (the "New Scheme"). The New Scheme shall be valid and effective for a period of ten years commencing on 20 May 2011. Same as the Terminated Scheme, the New Scheme is designed to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

There was no outstanding share option under the Terminated Scheme and/or the New Scheme as at 1 January 2011 and 30 June 2011. No share option has been granted under these two schemes during the six months ended 30 June 2011.

The total number of shares of the Company currently available for issue under the New Scheme is 914,073,266 shares, representing approximately 10% of the issued share capital of the Company as at the date of this interim report.



## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

- (a) Mr. Cheung Wai Yin, Wilson, the former Vice-chairman of the Company, has been appointed as the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and a member of the Remuneration Committee of the Company with effect from 24 June 2011. Accordingly, Mr. Cheung's salary has been increased to HK\$200,000 per month.
- (b) Ms. Pang Yuen Shan, Christina resigned as an independent non-executive director of New Smart Energy Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 91) on 15 June 2011.

## CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, except for the following deviations:

### Code provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Cheung Wai Yin, Wilson currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

### Code provision E.1.2

This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, the former Chairman of the Company, was unable to attend the Company's 2011 annual general meeting held on 20 May 2011 due to other business engagement, and Mr. Cheung Wai Yin, Wilson, the then Vice-Chairman of the Company, was delegated to attend and chair the meeting on his behalf and to communicate with the shareholders of the Company.





## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code and the Model Code throughout the six months ended 30 June 2011.

The Company also has established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely, Mr. Ma Chun Fung, Horace, Mr. Anthony John Earle Grey and Ms. Pang Yuen Shan, Christina, has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2011.

By order of the Board  
**Cheung Wai Yin, Wilson**  
*Chairman*

Hong Kong, 31 August 2011