



DEJIN RESOURCES

DEJIN RESOURCES GROUP COMPANY LIMITED

德金資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1163)



Interim Report 2012

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Wai Yin, Wilson
(*Chairman and Chief Executive Officer*)
Mr. Tian Lidong
Mr. Lau Chi Yan, Pierre

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

Elite Partners CPA Limited

STOCK CODE AND COMPANY'S WEBSITE

1163
www.dejinresources.com

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND PRINCIPAL TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND 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 2012, together with the comparative amounts for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	25,620	125,211
Cost of sales		(22,097)	(97,969)
Gross profit		3,523	27,242
Other income and gains	4	61	251
Selling and distribution costs		(310)	(5,511)
Administrative expenses		(25,843)	(16,100)
Other operating expenses		(298)	(541)
Operating (loss)/profit		(22,867)	5,341
Finance costs	5	(22,113)	(37,327)
Loss before taxation	6	(44,980)	(31,986)
Income tax expense	7	(396)	(1,799)
Loss for the period		(45,376)	(33,785)
Loss for the period attributable to:			
Owners of the Company		(44,866)	(33,436)
Non-controlling interests		(510)	(349)
		(45,376)	(33,785)
Dividends	8	-	-
Loss per share	9		(Restated)
- Basic and diluted		HK(1.80) cents	HK(1.49) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	(45,376)	(33,785)
Exchange differences arising from translation of foreign subsidiaries	<u>958</u>	<u>3,452</u>
Total comprehensive expense for the period	<u>(44,418)</u>	<u>(30,333)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<u>(43,812)</u>	<u>(30,124)</u>
Non-controlling interests	<u>(606)</u>	<u>(209)</u>
	<u>(44,418)</u>	<u>(30,333)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
<i>Notes</i>		
Non-current assets		
Property, plant and equipment	19,496	21,545
Exploration and evaluation assets	118,575	120,284
Biological assets	290,000	290,000
Land use rights	36,481	35,472
Mining rights	6,531,645	6,531,645
	<u>6,996,197</u>	<u>6,998,946</u>
Current assets		
Inventories	12,928	15,426
Trade and bill receivables	53,509	55,048
Prepayments, deposits and other receivables	124,951	110,699
Cash and cash equivalents	27,716	9,788
	<u>219,104</u>	<u>190,961</u>
Current liabilities		
Trade payables	1,415	2,015
Other payables and accruals	24,192	20,126
Obligations under finance leases		
– Due within one year	1,192	1,192
Promissory notes	64,041	–
Convertible notes	817,975	–
Amount due to a related company	37	37
Tax liabilities	46,330	46,330
	<u>955,182</u>	<u>69,700</u>
Net current (liabilities)/assets	<u>(736,078)</u>	<u>121,261</u>
Total assets less current liabilities	<u>6,260,119</u>	<u>7,120,207</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
<i>Notes</i>		
Non-current liabilities		
Promissory notes	–	76,294
Convertible notes	–	1,108,309
Obligations under finance leases		
– Due more than one year	1,401	1,998
Deferred tax liabilities	85,733	91,193
Provision for land restoration and environmental cost	64,052	64,052
	<u>151,186</u>	<u>1,341,846</u>
Net assets	<u><u>6,108,933</u></u>	<u><u>5,778,361</u></u>
Capital and reserves		
Share capital	12 28,881	917,407
Reserves	6,069,593	4,849,889
Equity attributable to owners of the Company	<u>6,098,474</u>	<u>5,767,296</u>
Non-controlling interests	10,459	11,065
Total equity	<u><u>6,108,933</u></u>	<u><u>5,778,361</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Convertible notes 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
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
As at 1 January 2012 (audited)	917,407	4,183,629	286	97,146	8,455	42,225	518,148	5,767,296	11,065	5,778,361
Loss for the period	-	-	-	-	-	-	(44,866)	(44,866)	(510)	(45,376)
Other comprehensive income/(expense) for the period	-	-	-	-	1,054	-	-	1,054	(96)	958
Total comprehensive income/(expense) for the period	-	-	-	-	1,054	-	(44,866)	(43,812)	(606)	(44,418)
Subscription of new shares	33,800	26,600	-	-	-	-	-	60,400	-	60,400
Share issuance expenses	-	(1,501)	-	-	-	-	-	(1,501)	-	(1,501)
Capital reduction	(978,159)	978,159	-	-	-	-	-	-	-	-
Conversion of convertible notes	55,833	287,884	-	(27,626)	-	-	-	316,091	-	316,091
As at 30 June 2012 (unaudited)	28,881	5,474,771	286	69,520	9,509	42,225	473,282	6,098,474	10,459	6,108,933

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Net cash used in operating activities	(25,649)	(52,657)
Net cash used in investing activities	(15)	(20,561)
Net cash generated from financing activities	<u>44,303</u>	<u>51,275</u>
Net increase/(decrease) in cash and cash equivalents	18,639	(21,943)
Cash and cash equivalents at the beginning of the period	9,788	57,084
Effect of foreign exchange rates changes	<u>(711)</u>	<u>1,025</u>
Cash and cash equivalents at the end of the period	<u><u>27,716</u></u>	<u><u>36,166</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>27,716</u></u>	<u><u>36,166</u></u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The principal accounting policies used in the preparation of the unaudited 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 2011.

In current interim period, the Group has applied for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

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 adoption of the above new and revised HKFRSs in the current interim period has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

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 2012

	Gold mining operation HK\$'000	Lighting operation HK\$'000	Forestry operation HK\$'000	Total HK\$'000
Segment revenue	<u>4,531</u>	<u>19,702</u>	<u>1,387</u>	<u>25,620</u>
Segment results	<u>1,586</u>	<u>1,666</u>	<u>271</u>	<u>3,523</u>
Unallocated corporate income				61
Unallocated corporate expenses				(26,451)
Finance costs				<u>(22,113)</u>
Loss before taxation				<u><u>(44,980)</u></u>

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><u>(31,986)</u></u>

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank interest income	3	16
Exchange gain	8	234
Other income	50	1
	<u>61</u>	<u>251</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Imputed interest on convertible notes	20,297	35,253
Imputed interest on promissory notes	1,746	2,074
Interest on obligations under finance leases	66	–
Interest on bank loans and overdrafts wholly repayable within five years	4	–
	<u>22,113</u>	<u>37,327</u>

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation	2,182	1,563
Provision for obsolete inventories	2,500	–
Impairment loss recognised in respect of trade and other receivables	4,500	–
	<u>4,500</u>	<u>–</u>

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC enterprise income tax	396	1,799
Other jurisdictions	—	—
	396	1,799

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% (2011: 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 2012 (2011: Nil).

9. LOSS PER SHARE

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

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of basic loss per share attributable to owners of the Company	(44,866)	(33,436)
Effect of dilutive potential ordinary shares:		
– Imputed interest on convertible notes	20,297	35,253
(Loss)/earnings for the purpose of diluted loss per share attributable to owners of the Company	(24,569)	1,817

9. LOSS PER SHARE (continued)

	For the six months ended 30 June	
	2012	(Restated) 2011
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,494,757	2,243,033
Effect of dilutive potential ordinary shares:		
– Convertible notes issued by the Company	351,250	961,667
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,846,007	3,204,700

For the periods ended 30 June 2012 and 30 June 2011, no diluted loss per share has been presented as the conversion of the Company's outstanding convertible notes could result in a decrease in the loss 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:

	As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
0–30 days	–	31,348
31–90 days	29,809	71
91–180 days	71	141
181–360 days	141	15,898
Over 360 days	23,488	7,590
	53,509	55,048

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:

	As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
0—90 days	1,415	2,008
91—180 days	—	—
181—360 days	—	—
Over 360 days	—	7
	<u>1,415</u>	<u>2,015</u>

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

12. SHARE CAPITAL

	Company	
	Number of shares	Nominal values
<i>Notes</i>	<i>'000</i>	<i>HK\$'000</i>
Authorised:		
As at 1 January 2011 (audited), 30 June 2011 (unaudited) and 31 December 2011 (audited), ordinary shares of HK\$0.1 each		
Share consolidation	25,000,000 (18,750,000)	2,500,000 —
	<u>6,250,000</u>	<u>2,500,000</u>
Ordinary shares of HK\$0.4 each		
Share sub-division	6,250,000 243,750,000	2,500,000 —
	<u>250,000,000</u>	<u>2,500,000</u>
As at 30 June 2012 (unaudited), ordinary shares of HK\$0.01 each		
	<u>250,000,000</u>	<u>2,500,000</u>

12. SHARE CAPITAL (continued)

	Notes	Company Number of shares '000	Nominal values HK\$'000
Issued and fully paid:			
As at 1 January 2011 (audited), ordinary shares of HK\$0.1 each		8,207,399	820,740
Placing of new shares		350,000	35,000
Issuance of shares pursuant to conversion of convertible notes		583,333	58,333
As at 30 June 2011 (unaudited), ordinary shares of HK\$0.1 each		9,140,732	914,073
Issuance of shares pursuant to conversion of convertible notes		33,334	3,334
As at 31 December 2011 (audited), ordinary shares of HK\$0.1 each		9,174,066	917,407
Issuance of shares pursuant to conversion of convertible notes		558,333	55,833
Subscription of new shares		300,000	30,000
Share consolidation	a	(7,524,299)	–
Ordinary shares of HK\$0.4 each		2,508,100	1,003,240
Capital reduction	c	–	(978,159)
Ordinary shares of HK\$0.01 each		2,508,100	25,081
Subscription of new shares		380,000	3,800
As at 30 June 2012 (unaudited), ordinary shares of HK\$0.01 each		2,888,100	28,881

Notes:

On 3 April 2012, the Company proposed to effect the capital reorganisation which became effective on 9 May 2012 being approved by the shareholders ("Capital Reorganisation"). The Capital Reorganisation involved the following:

- every four existing shares of HK\$0.1 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.4 each ("Share Consolidation").
- immediately following the Share Consolidation, each unissued consolidated share in the authorised but unissued share capital of the Company was sub-divided into forty shares so that the nominal value of each unissued consolidated share was reduced from HK\$0.4 to HK\$0.01 each ("Share Sub-division"); and
- the paid up capital of each issued consolidated share was reduced from HK\$0.4 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.39 so as to form a new share with a nominal value of HK\$0.01 each ("Capital Reduction").

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover generated for the period ended 30 June 2012 amounted to HK\$25.6 million (30 June 2011: HK\$125.2 million), representing a 79.6% decrease over the previous corresponding period. The sharp decrease was attributable to several factors including the sluggish economy leading to a significant reduction of sales orders of lighting products and the weak performance reported from both forestry and mining segments.

Loss attributable to the shareholders of the Company for the period ended 30 June 2012 amounted to HK\$44.9 million (30 June 2011: HK\$33.4 million). The loss was mainly due to the poor performance of all business segments and the non-cash imputed interest on promissory notes and convertible notes issued by the Company during the period under review.

As at 30 June 2012, the Group's equity attributable to owners of the Company amounted to HK\$6,098.5 million, an increase of HK\$331.2 million over the audited figure as at 31 December 2011 of HK\$5,767.3 million. The net asset value per share attributable to owners of the Company as at 30 June 2012 was HK\$2.11 (31 December 2011: Restated HK\$2.51).

Gold Mining Segment

For the period under review, the total amount of unprocessed gold ore sold to customers was approximately HK\$4.5 million. Except for several gold mines in Qinglong County, commercial production has not yet commenced at the Company's acquired gold mines in Shandong and Longhua County respectively. The Group is currently reviewing the development status of each mine in order to allocate appropriate resources to individual mines. At the same time, our project team members are working closely with the local government to accelerate the integration of the gold mine resources in Qinglong County and Longhua County.

Lighting Segment

Turnover derived from the lighting segment amounted to HK\$19.7 million, representing a fall of 82.3% as compared with the last corresponding period. The contraction of customer orders, rising labour costs and the high inflation were the major factors to account for the poor performance of the lighting segment. Faced with the global economic uncertainties, customers were very cautious in placing orders during the reporting period.

Forestry Segment

During the period under review, the performance of the forestry segment remained unsatisfactory and the turnover was HK\$1.4 million, compared with HK\$1.3 million reported in the last corresponding period. Management will continue to put more efforts into marketing campaigns in order to stimulate the demand for timber products.

Prospects

The Group will continue to devote more efforts to procure the consolidation and reorganization of the gold mine resources in Longhua County and Qinglong County, so that the commencement of gold exploration works in these two jurisdictions can proceed as early as possible. In addition, the Group will keep looking for opportunities to raise funds to finance capital expenditures at our gold mines.

Financial Resources and Liquidity

The financial leverage of the Group as at 30 June 2012, compared to 31 December 2011, is summarized below:

	As at	
	30 June	31 December
	2012	2011
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Debt		
– from obligations under finance leases	2,593	3,190
– from promissory notes	64,041	76,294
– from convertible notes	817,975	1,108,309
Total debt	884,609	1,187,793
Cash and bank balances	27,716	9,788
Net debt	856,893	1,178,005
Total capital (Equity and total debt)	6,993,542	6,966,154
Total assets	7,215,301	7,189,907
Financial leverage		
– total debt to total capital	12.6%	17.1%
– total debt to total assets	12.3%	16.5%
– net debt to total capital	12.3%	16.9%
– net debt to total assets	11.9%	16.4%

Capital Structure

On 9 May 2012, the Capital Reorganisation that involved the Share Consolidation, Share Sub-division and Share Reduction was approved by the Company's shareholders. Subsequent to the Capital Reorganisation, the paid up capital of an issued share was reduced from HK\$0.1 to HK\$0.01. During the period, a total of 558,333,333 ordinary shares (equivalent to 139,583,333 ordinary shares after Share Consolidation) of the Company were allotted and issued as a result of the conversion of the convertible notes before the Capital Reorganisation.

In addition, the Company completed two subscriptions of new shares in March and May 2012 respectively and successfully raised the net amount of approximately HK\$59.5 million for general working capital purpose. As at 30 June 2012, the issued share capital of the Company had been reduced to HK\$28.9 million (31 December 2011: HK\$917.4 million), represented by approximately 2,888.1 million ordinary shares as at 30 June 2012 (31 December 2011: approximately 9,174.1 million ordinary shares).

Pledge of Assets

As at 30 June 2012, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (31 December 2011: Nil).

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: 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 exposure at appropriate times. There were no derivative financial instruments employed during the period ended 30 June 2012.

Employees and Remuneration Policies

As at 30 June 2012, the Group had approximately 100 employees (31 December 2011: approximately 150 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 competitiveness of the Group 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.

Litigation

In October 2011, 北京清大德氏科技有限公司 (transliterated as Beijing Tsingda Deshi Technology Limited) ("Tsingda Deshi"), a joint venture company established in the PRC with limited liability, 75% of the entire registered capital of which is owned by the Company, was aware of an order (the "Distress Order") made by 河北省承德市中級人民法院 (transliterated as The Intermediate People's Court of Chengde City, the Hebei Province), for the freeze of (i) the assets of Tsingda Deshi in its two subsidiaries, namely the 80% equity interests in 承德隆鑫礦業有限公司 ("Longxin Mining") and the 93.75% equity interests in 隆化縣龍德礦業有限公司 ("Longde Mining"); and (ii) the exploitation licence of Longxin Mining and Longde Mining, respectively pending the outcome of a contractual claim (the "Litigation") taken out by the plaintiff against Tsingda Deshi.

The plaintiff is one of the shareholders of Longxin Mining. The plaintiff alleged that pursuant to an agreement (the "Alleged Agreement") between him (for himself and on behalf of a minority shareholder of Longxin Mining) and Tsingda Deshi, which was dated 26 March 2010, in relation to the subscription for 80% equity interest in Longxin Mining by Tsingda Deshi and further capital injection by Tsingda Deshi to the gold mine owned by Longxin Mining, Tsingda Deshi has failed to inject such capital and is in breach of the Alleged Agreement.

The Company was informed by the legal representative of Tsingda Deshi that Tsingda Deshi has neither entered into the Alleged Agreement nor any other written or verbal agreements (either explicit or implicit) with the plaintiff regarding its interest in Longxin Mining and/or Longde Mining. The Board noted that the Alleged Agreement was dated before the completion (the "Completion") of the acquisition of the gold mines in Hebei Province, the PRC in May 2010 pursuant to the sale and purchase agreement (the "SPA") entered into by the Group on 16 September 2009. Nevertheless, the Board takes the view that the Company is fully protected by the warranties given by the vendor in the SPA given that the Group was not aware of the Alleged Agreement before Completion. Hence, the Board believes that the Litigation should not have a material impact on the Group's operation and assets. As at the date of the approval of the unaudited condensed consolidated interim financial statements, the litigation is still in progress.

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

As at 30 June 2012, the interests of directors of the Company in the shares and underlying 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of director	Capacity	Number of ordinary shares interested	Percentage [#] of the Company's issued share capital
Mr. Cheung Wai Yin, Wilson	Beneficial owner	1,750,000	0.06%
	Interest held by controlled corporation (Note 1)	25,000,000	0.87%
		<hr/> 26,750,000	<hr/> 0.93%
Mr. Tian Lidong	Interest held by controlled corporation (Note 2)	75,000,000	2.60%

Notes:

1. Mr. Cheung Wai Yin, Wilson was deemed to be interested in 25,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.
2. Mr. Tian Lidong was deemed to be interested in 75,000,000 shares of the Company which were held by Sino Flourish Investments Limited, a controlled corporation of Mr. Tian pursuant to the SFO.

[#] The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2012.

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

B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Capacity	Number of underlying shares interested	Percentage [#] of underlying shares over the Company's issued share capital
Mr. Cheung Wai Yin, Wilson	Beneficial Owner	20,000,000	0.69%
Mr. Lau Chi Yan, Pierre	Beneficial Owner	20,000,000	0.69%
Mr. Anthony John Earle Grey	Beneficial Owner	2,000,000	0.07%
Mr. Ma Chun Fung, Horace	Beneficial Owner	2,000,000	0.07%
Ms. Pang Yuen Shan, Christina	Beneficial Owner	2,000,000	0.07%

Note: Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share option scheme".

[#] The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2012.

Save as disclosed above and in the below section headed "Share option scheme", as at 30 June 2012, 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 2012, 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, or as the Company is aware:

A. Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Notes	Percentage ^a of the Company's issued share capital
Super Master Investments Limited	Beneficial owner	253,750,000	1&5	8.79%
Mr. Cheng Pak Lung	Interest held by controlled corporation	253,750,000	1&5	8.79%
Perfect Direct Limited	Beneficial owner	224,999,999	2,5&6	7.79%
Sleek Thrive Limited	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Mr. Woo Hung Chow	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Ms. Wang Xi	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Mr. Li Gui Kao	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Mr. Mow Tai Loy	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Ms. Yiu Mei Lan	Interest held by spouse	224,999,999	3,5&6	7.79%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	224,999,999	2,5&6	7.79%
Ms. Peggy Wong	Interest held by spouse	224,999,999	3,5&6	7.79%
Million Trade Development Limited	Beneficial owner	380,000,000	4	13.16%
Ms. Wang Jin	Interest held by controlled corporation	380,000,000	4	13.16%

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)

Notes:

1. These shares were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.
 2. These shares were held by Perfect Direct Limited, a controlled corporation of Sleek Thrive Limited (a corporation wholly owned by Mr. Woo Hung Chow), Ms. Wang Xi, Mr. Li Gui Kao, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.
 3. 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.
 4. These shares were held by Million Trade Development Limited, a controlled corporation of Ms. Wang Jin.
 5. The number of shares has been adjusted due to the Share Consolidation.
 6. These substantial shareholders had interests in both issued shares and underlying shares of the Company.
- # The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2012.

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 [#] of the underlying shares over the Company's issued share capital
Perfect Direct Limited	Beneficial owner	141,250,000	1&3	4.89%
Sleek Thrive Limited	Interest held by controlled corporation	141,250,000	1&3	4.89%
Mr. Woo Hung Chow	Interest held by controlled corporation	141,250,000	1&3	4.89%
Ms. Wang Xi	Interest held by controlled corporation	141,250,000	1&3	4.89%
Mr. Li Gui Kao	Interest held by controlled corporation	141,250,000	1&3	4.89%
Mr. Mow Tai Loy	Interest held by controlled corporation	141,250,000	1&3	4.89%

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 [#] of the underlying shares over the Company's issued share capital
Ms. Yiu Mei Lan	Interest held by spouse	141,250,000	2&3	4.89%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	141,250,000	1&3	4.89%
Ms. Peggy Wong	Interest held by spouse	141,250,000	2&3	4.89%

Notes:

1. Sleek Thrive Limited, Mr. Woo Hung Chow, Ms. Wang Xi, Mr. Li Gui Kao, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton were deemed to be interested in these 141,250,000 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\$339,000,000.20 at the conversion price of HK\$2.40 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), Ms. Wang Xi, Mr. Li Gui Kao, 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.
3. These substantial shareholders had interest 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 2012.

Save as disclosed above, as at 30 June 2012, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, 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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the movements of the share options granted under the share option scheme for the six months ended 30 June 2012 are as follows:

Name or category of option holder	Date of grant	Exercise price per share (HK\$) (Note 1)	Exercise period (Note 2)	Number of share options		
				Outstanding as at 1 January 2012	Adjusted during the period (Note 1)	Outstanding as at 30 June 2012
Executive Director						
Mr. Cheung Wai Yin, Wilson	9 December 2011	0.40	3 January 2012 to 8 December 2021	80,000,000	(60,000,000)	20,000,000
Mr. Lau Chi Yan, Pierre	9 December 2011	0.40	3 January 2012 to 8 December 2021	80,000,000	(60,000,000)	20,000,000
Independent Non-executive Director						
Mr. Anthony John Earle Grey	9 December 2011	0.40	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
Mr. Ma Chun Fung, Horace	9 December 2011	0.40	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
Ms. Pang Yuen Shan, Christina	9 December 2011	0.40	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
				184,000,000	(138,000,000)	46,000,000
Employees in aggregate	9 December 2011	0.40	3 January 2012 to 8 December 2021	242,000,000	(181,500,000)	60,500,000
Consultants in aggregate	9 December 2011	0.40	3 January 2012 to 8 December 2021	160,000,000	(120,000,000)	40,000,000
				586,000,000	(439,500,000)	146,500,000

Notes:

- Subsequent to the Share Consolidation, the exercise price of the share options was adjusted from HK\$0.10 per share to HK\$0.40 per share and the number of share options granted was adjusted accordingly.
- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- During the period, no option was granted, exercised, lapsed or cancelled.
- The number and/or exercise price of the options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

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 complied with the code provisions set out in (i) the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012, and (ii) the new Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 to the Listing Rules, 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 consistent leadership and continuous planning and implementation of business strategies and decisions.

Code Provision A.6.7

One of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 31 May 2012 due to his business engagement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' dealings in the Company's securities (the "Own 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 throughout the period ended 30 June 2012.

The Company also has established written guidelines on no less exacting terms 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.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive directors, 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 for the six months ended 30 June 2012.

By order of the Board
Cheung Wai Yin, Wilson
Chairman

Hong Kong, 31 August 2012