



DEJIN RESOURCES GROUP COMPANY LIMITED

德金資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1163)

2013

Interim Report



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CORPORATE INFORMATION

As at 3 September 2013

DIRECTORS

Executive Directors

Mr. Cheung Wai Yin, Wilson (*Chairman*)
Mr. Tian Lidong
Mr. Lau Chi Yan, Pierre
Mr. Chan Ka Wing
Mr. Tsai Wallen
Mr. Zhao Zhibin
Mr. Mow Tai Loy

Independent Non-executive Directors

Mr. Fu Wing Kwok, Ewing
Ms. Pang Yuen Shan, Christina
Mr. Ma Ning (appointed on 3 September 2013)
Ms. Yeung Mo Sheung, Ann
(appointed on 3 September 2013)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Unit D, 4/F, Sing Ho Finance Building,
166-168 Gloucester Road,
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Cheung Wai Yin, Wilson
Ms. Li Xiaohong

COMPANY SECRETARY

Ms. Li Xiaohong

AUDITOR

Elite Partners CPA Limited

STOCK CODE & COMPANY'S WEBSITE

1163
www.dejinresources.com

AUDIT COMMITTEE

Mr. Fu Wing Kwok, Ewing (*Chairman*)
Ms. Pang Yuen Shan, Christina
Mr. Ma Ning
Ms. Yeung Mo Sheung, Ann

REMUNERATION COMMITTEE

Ms. Pang Yuen Shan, Christina (*Chairman*)
Mr. Cheung Wai Yin, Wilson
Mr. Fu Wing Kwok, Ewing
Mr. Chan Ka Wing
Mr. Ma Ning
Ms. Yeung Mo Sheung, Ann

NOMINATION COMMITTEE

Ms. Pang Yuen Shan, Christina (*Chairman*)
Mr. Cheung Wai Yin, Wilson
Mr. Fu Wing Kwok, Ewing
Mr. Chan Ka Wing
Mr. Ma Ning
Ms. Yeung Mo Sheung, Ann

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank 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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
	Notes		
Revenue	3	12,030	25,620
Cost of sales		(10,399)	(22,097)
Gross profit		1,631	3,523
Investment and other income	4	–	61
Selling and distribution costs		–	(310)
Administrative expenses		(12,970)	(25,843)
Other operating expenses		–	(298)
Operating loss		(11,339)	(22,867)
Finance costs	5	(10,873)	(22,113)
Loss before taxation	6	(22,212)	(44,980)
Income tax expense	7	(172)	(396)
Loss for the period		(22,384)	(45,376)
Loss for the period attributable to:			
Owners of the Company		(22,356)	(44,866)
Non-controlling interests		(28)	(510)
		(22,384)	(45,376)
Dividends	8	–	–
Loss per share	9		(Restated)
– Basic and diluted		HK(0.06) cents	HK(0.18) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Loss for the period	(22,384)	(45,376)
Other comprehensive income:		
Exchange differences arising from translation of foreign subsidiaries	302	958
Total comprehensive expense for the period	(22,082)	(44,418)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(21,841)	(43,812)
Non-controlling interests	(241)	(606)
	(22,082)	(44,418)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 (unaudited) HK\$'000	As at 31 December 2012 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		12,477	12,704
Exploration and evaluation assets		11,960	11,934
Biological assets		80,000	80,000
Land use rights		36,761	36,567
Mining rights		2,800,000	2,800,000
		2,941,198	2,941,205
Current assets			
Inventories		3,768	7,168
Trade and bill receivables	10	9,932	28,897
Prepayments, deposits and other receivables		10,894	11,498
Cash and cash equivalents		1,844	7,550
		26,438	55,113
Current liabilities			
Trade payables	11	8,116	27,538
Other payables and accruals		33,711	31,431
Promissory notes		11,000	10,860
Convertible notes		843,000	832,308
Obligations under finance leases – Due within one year		580	580
Tax liabilities		13,692	13,692
		910,099	916,409
Net current liabilities		(883,661)	(861,296)
Total assets less current liabilities		2,057,537	2,079,909

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2013 (unaudited) HK\$'000	As at 31 December 2012 (audited) HK\$'000
Non-current liabilities			
Obligations under finance leases			
– Due more than one year		539	829
Deferred tax liabilities		33,233	33,233
Provision for land restoration and environment cost		64,052	64,052
		97,824	98,114
Net assets		1,959,713	1,981,795
Capital and reserves			
Share capital	12	3,458	34,581
Reserves		1,961,966	1,952,684
Equity attributable to owners of the Company			
Non-controlling interests		1,965,424 (5,711)	1,987,265 (5,470)
Total equity		1,959,713	1,981,795

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Exchange reserve	Share based payment reserve	(Accumulated losses)/ profits retained	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 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
As at 1 January 2013 (audited)	34,581	5,505,211	286	69,520	16,979	42,225	(3,681,537)	1,987,265	(5,470)	1,981,795
Loss for the period	-	-	-	-	-	-	(22,356)	(22,356)	(28)	(22,384)
Other comprehensive income/(expense) for the period	-	-	-	-	515	-	-	515	(213)	302
Total comprehensive income/(expense) for the period	-	-	-	-	515	-	(22,356)	(21,841)	(241)	(22,082)
Capital reduction	(31,123)	31,123	-	-	-	-	-	-	-	-
As at 30 June 2013 (unaudited)	3,458	5,536,334	286	69,520	17,494	42,225	(3,703,893)	1,965,424	(5,711)	1,959,713

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2013	2012
	(unaudited) HK\$'000	(unaudited) HK\$'000
Net cash used in operating activities	(5,637)	(25,649)
Net cash used in investing activities	(18)	(15)
Net cash (used in)/generated from financing activities	(290)	44,303
Net (decrease)/increase in cash and cash equivalents	(5,945)	18,639
Cash and cash equivalents at the beginning of the period	7,550	9,788
Effect of foreign exchange rates changes	239	(711)
Cash and cash equivalents at the end of the period	1,844	27,716
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,844	27,716

Notes:

CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding.

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 on 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").

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 2012, unless otherwise stated.

In preparing the unaudited condensed consolidated interim financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the following:

- (i) The Group incurred a net loss of approximately HK\$22.4 million for the six months ended 30 June 2013 and the Group's current liabilities exceeded its current assets by approximately HK\$883.7 million as at 30 June 2013; and
- (ii) The outstanding principal amount of Convertible Notes ("CN") of approximately HK\$843.0 million has been matured on 13 May 2013.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company is considering amending certain terms and conditions of the CN, which may include an extension of the maturity date and a revision of the conversion price etc. Nevertheless, these unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, the validity of which depends upon whether the Company can reach an agreement with the holders of the CN for the amendments and whether all relevant approvals such as shareholders' approval, regulatory approvals and where necessary the court approvals can be obtained. As at the date of this report, no formal agreement has been entered into between the Company and the holders of the CN relating to the amendments of CN, though, to the best knowledge of the directors of the Company, approximately 98% of the holders of CN have expressed their willingness to extend the maturity date of the CN. Under this circumstance, the directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA with effect from 1 January 2013.

HKAS 19 (2011)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual improvements to HKFRSs (2009-2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32

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 and 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 assessment of segment performance focus on types of goods delivered by the Group's operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

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

3. Segment information (continued)

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 2013

	Gold Mining operation HK\$'000	Lighting operation HK\$'000	Forestry operation HK\$'000	Total HK\$'000
Segment revenue	2,462	8,774	794	12,030
Segment results	689	781	161	1,631
Unallocated corporate income				-
Unallocated corporate expenses				(12,970)
Finance costs				(10,873)
Loss before taxation				(22,212)

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	4,531	19,702	1,387	25,620
Segment results	1,586	1,666	271	3,523
Unallocated corporate income				61
Unallocated corporate expenses				(26,451)
Finance costs				(22,113)
Loss before taxation				(44,980)

4. Investment and other income

	For the six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Bank interest income	-	3
Exchange gain	-	8
Other income	-	50
	-	61

5. Finance costs

	For the six months ended 30 June 2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Imputed interest on convertible notes	10,692	20,297
Imputed interest on promissory notes	140	1,746
Interest on obligations under finance leases	41	66
Interest on bank overdrafts	–	4
	10,873	22,113

6. Loss before taxation

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June 2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Depreciation	332	2,182
Provision for obsolete inventories	3,400	2,500
Impairment loss recognised in respect of trade and other receivables	995	4,500

7. Income tax expense

	For the six months ended 30 June 2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Current tax:		
PRC enterprise income tax	172	396
Other jurisdictions	–	–
	172	396

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% (2012: 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 2013 (30 June 2012: 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 2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Loss:		
Loss for the purpose of basic loss per share attributable to owners of the Company	(22,356)	(44,866)
Effect of dilutive potential ordinary shares:		
– Imputed interest on convertible notes	10,692	20,297
Loss for the purpose of diluted loss per share attributable to owners of the Company	(11,664)	(24,569)

	For the six months ended 30 June 2013 '000	2012 (Restated) '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	345,810	249,476
Effect of dilutive potential ordinary shares:		
– Convertible notes issued by the Company	35,125	35,125
Weighted average number of ordinary shares for the purpose of diluted loss per share	380,935	284,601

For the periods ended 30 June 2013 and 30 June 2012, no dilutive 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 2013 (unaudited) HK\$'000	As at 31 December 2012 (audited) HK\$'000
0 – 30 days	9,932	1,901
31 – 90 days	–	2,806
91 – 180 days	–	15,667
181 – 360 days	–	8,523
Over 360 days	–	–
	9,932	28,897

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 2013 (unaudited) HK\$'000	As at 31 December 2012 (audited) HK\$'000
0 – 90 days	8,116	5,305
91 – 180 days	–	3,470
181 – 360 days	–	18,763
Over 360 days	–	–
	8,116	27,538

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

12. Share capital

	Notes	Company	
		Number of shares '000	Nominal values HK\$'000
Authorised:			
Ordinary shares of HK\$0.1 each			
As at 1 January 2012 (audited)		25,000,000	2,500,000
Share consolidation	a(i)	(18,750,000)	–
Ordinary shares of HK\$0.4 each		6,250,000	2,500,000
Share sub-division	a(ii)	243,750,000	–
Ordinary shares of HK\$0.01 each			
As at 30 June 2012 (unaudited) and 1 January 2013 (audited)		250,000,000	2,500,000
Share consolidation	b(i)	(225,000,000)	–
Ordinary shares of HK\$0.1 each		25,000,000	2,500,000
Share sub-division	b(ii)	225,000,000	–
Ordinary shares of HK\$0.01 each			
As at 30 June 2013 (unaudited)		250,000,000	2,500,000
Issued and fully paid:			
Ordinary shares of HK\$0.1 each			
As at 1 January 2012 (audited)		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(i)	(7,524,299)	–
Ordinary shares of HK\$0.4 each		2,508,100	1,003,240
Capital reduction	a(iii)	–	(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)		2,888,100	28,881
Placing of new shares		570,000	5,700
Ordinary shares of HK\$0.01 each			
As at 1 January 2013 (audited)		3,458,100	34,581
Share consolidation	b(i)	(3,112,290)	–
Ordinary shares of HK\$0.1 each		345,810	34,581
Capital reduction	b(iii)	–	(31,123)
Ordinary shares of HK\$0.01 each			
As at 30 June 2013 (unaudited)		345,810	3,458

12. Share capital (continued)

Notes:

The movements in the Company's share capital are as follows:

- (a) On 3 April 2012, the Company proposed to effect the capital reorganisation which was approved by the shareholders of the Company on 9 May 2012 and became effective on 10 May 2012. The said capital reorganisation involved the following:
- (i) 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;
 - (ii) immediately following the said 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; and
 - (iii) 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.
- (b) On 12 November 2012, the Company proposed to effect the capital reorganisation which was approved by the shareholders of the Company on 9 January 2013 and became effective on 10 January 2013 ("Capital Reorganisation"). The Capital Reorganisation involved the following:
- (i) every ten existing shares of HK\$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.1 each ("Share Consolidation");
 - (ii) immediately following the Share Consolidation, each unissued consolidated share in the authorised but unissued share capital of the Company was sub-divided into ten shares so that the nominal value of each unissued consolidated share was reduced from HK\$0.1 to HK\$0.01 each ("Share Sub-division"); and
 - (iii) the paid up capital of each issued consolidated share was reduced from HK\$0.1 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.09 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 six months ended 30 June 2013 amounted to HK\$12.0 million (30 June 2012: HK\$25.6 million), representing a 53.0% decrease over the previous corresponding period. The 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 owners of the Company for the six months ended 30 June 2013 amounted to HK\$22.4 million (30 June 2012: HK\$44.9 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 2013, the Group's equity attributable to owners of the Company amounted to HK\$1,965.4 million, a decrease of approximately HK\$21.9 million over the audited figure as at 31 December 2012 of HK\$1,987.3 million. The net asset value per share attributable to owners of the Company as at 30 June 2013 was HK\$5.67 (31 December 2012: Restated HK\$5.73).

Gold Mining Segment

For the period under review, the total amount of unprocessed gold ore sold to customers was approximately HK\$2.5 million. The development status of each mine remained unchanged compared with last financial year end. 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. Our project team members are still working closely with the local governments to accelerate the integration of the gold mine resources in Qinglong County and Longhua County. In the meantime, the Group is focused on finalizing the process of negotiation with the holders of the convertible notes for the proposed amendments of terms of the convertible notes. As disclosed in the last published annual report, the management will re-assess the production schedule of the gold mines in a timely manner and assess whether further impairment loss of mining rights should be recognised at the year-end if necessary.

Lighting Segment

Turnover derived from the trading of lighting products amounted to approximately HK\$8.8 million, representing a fall of about 55.5% as compared with last corresponding period. In the past few years, various energy-saving lighting products have been rapidly developed and launched on the market. The competition in the domestic market was severe and the trading profit of lighting products narrowed due to a contraction of turnover and the shrinking margin. The management will continue to explore an appropriate marketing strategy for the lighting business and at the same time will review periodically the possibility of reallocating the existing resources of the lighting segment to the gold mining segment which will be the Group's core business segment in the future.

Forestry Segment

The performance of the forestry segment remained unsatisfactory. During the period under review, the turnover was approximately HK\$0.8 million, compared to HK\$1.4 million reported in the last corresponding period. The management will continue to look for suitable subcontractors to log the tree resources in the Group's designated areas at their own costs so as to relieve the Group from the impact of increasing operating and labour costs in recent years. On the other hand, the management will continue to review the actual production volume and assess whether further impairment loss arising from changes in fair value less estimated point-of-sale cost of timber holdings should be recognised at the year-end if necessary.

Prospects

The Group will continue to devote more efforts to procuring the consolidation and reorganisation of the gold mine resources in Longhua County and Qinglong County, so that the progress of gold exploitation works in these two jurisdictions can commence as early as possible. In addition, the Group will continue to raise funds to finance capital expenditures at our gold mines and provide sufficient funds for expanding exploration activities. Further, the management is also looking for opportunities to acquire other mining related businesses in order to strengthen the Group's competitiveness in the market.

Financial Resources and Liquidity

The financial leverage of the Group as at 30 June 2013, compared to 31 December 2012, is summarised below:

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Debt		
– from obligations under finance leases	1,119	1,409
– from promissory notes	11,000	10,860
– from convertible notes	843,000	832,308
Total debt	855,119	844,577
Cash and bank balances	1,844	7,550
Net debt	853,275	837,027
Total capital (equity and total debt)	2,814,832	2,826,372
Total assets	2,967,636	2,996,318
Financial leverage		
– total debt to total capital	30.4%	29.9%
– total debt to total assets	28.8%	28.2%
– net debt to total capital	30.3%	29.6%
– net debt to total assets	28.8%	27.9%

Capital Structure

On 9 January 2013, the Capital Reorganisation that involved the Share Consolidation, Share Sub-division and Capital Reduction was approved by the Company's shareholders. Subsequent to the Capital Reorganisation, the paid up capital of an issued share remains at HK\$0.01 each. A total of 3,112,289,849 ordinary shares of the Company were reduced. As at 30 June 2013, the issued share capital of the Company had been reduced to HK\$3.5 million (31 December 2012: HK\$34.6 million), represented by approximately 345.8 million ordinary shares as at 30 June 2013 (31 December 2012: approximately 3,458.1 million ordinary shares).

Subsequent to the Capital Reorganisation, the conversion price of the outstanding convertible notes has been adjusted from HK\$2.4 per share to HK\$24.0 per new share. As at 30 June 2013, there were outstanding convertible notes in the principal amount of HK\$843,000,000. The exercise price of the outstanding share options has been adjusted from HK\$0.4 per share to HK\$4.0 per new share and the number of shares to be subscribed for under the share options granted has been adjusted from 146,500,000 shares to 14,650,000 new shares.

Pledge of Assets

As at 30 June 2013, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (31 December 2012: Nil).

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities (31 December 2012: 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 and Renminbi. 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 six months ended 30 June 2013.

Employees and Remuneration Policies

As at 30 June 2013, the Group had approximately 60 employees (31 December 2012: approximately 70 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 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 interest in 承德隆鑫礦業有限公司 (“Longxin Mining”) and the 93.75% equity interest 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 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 2013, 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"), or as the Company is aware were as follows:

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

Name of director	Capacity	Number of ordinary shares interested <i>(Note 3)</i>	Percentage of the Company's issued share capital <i>(Note 3)</i>
Mr. Cheung Wai Yin, Wilson	Beneficial owner	175,000	0.05%
	Interest held by controlled corporation <i>(Note 1)</i>	2,500,000	0.72%
		2,675,000	0.77%
Mr. Tian Lidong	Interest held by controlled corporation <i>(Note 2)</i>	7,500,000	2.17%

Notes:

1. Mr. Cheung Wai Yin, Wilson was deemed to be interested in 2,500,000 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 7,500,000 shares of the Company which were held by Sino Flourish Investments Limited, a controlled corporation of Mr. Tian pursuant to the SFO.
3. The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2013.

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 (Note 1)	Percentage of underlying shares over the Company's issued share capital (Note 1)
Mr. Cheung Wai Yin, Wilson	Beneficial owner	2,000,000	0.58%
Mr. Lau Chi Yan, Pierre	Beneficial owner	2,000,000	0.58%
Mr. Chan Ka Wing	Beneficial owner	2,000,000	0.58%
Mr. Tsai Wallen	Beneficial owner	2,000,000	0.58%
Ms. Pang Yuen Shan, Christina	Beneficial owner	200,000	0.06%

Note:

- The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2013.

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

Name of director	Capacity	Number of underlying shares interested (Note 2)	Percentage of underlying shares over the Company's issued share capital (Note 2)
Mr. Mow Tai Loy	Interest held by controlled corporation (Note 1)	14,125,000	4.08%

Notes:

- Mr. Mow Tai Loy was a director of Perfect Direct Limited. He was deemed to be interested in these 14,125,000 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 at the conversion price of HK\$24 per conversion share. Such convertible notes were held by Perfect Direct Limited.
- The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2013.

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 2013, 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 2013, the following parties had interests of 5% or more of the issued share capital 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:

Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested (Note 3)	Percentage of the Company's issued share capital (Note 3)
Innovation Union Investments Limited	Beneficial owner (Note 1)	57,000,000	16.48%
Mr. Kang Shifeng	Interest held by controlled corporation (Note 1)	57,000,000	16.48%
Super Master Investments Limited	Beneficial owner (Note 2)	25,375,000	7.34%
Mr. Cheng Pak Lung	Interest held by controlled corporation (Note 2)	25,375,000	7.34%

Notes:

- These shares were held by Innovation Union Investments Limited, a controlled corporation of Mr. Kang Shifeng.
- These shares were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.
- The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, 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

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 2013 are as follows:

Name or category of option holder	Date of grant	Exercise price per share (Note 1)	Exercise period (Note 2)	Number of share options				Outstanding as at 30 June 2013
				Outstanding as at 1 January 2013	Transferred to other category during the period	Transferred from other category during the period	Adjusted during the period (Note 1)	
Executive directors:								
Mr. Cheung Wai Yin, Wilson	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	20,000,000	-	-	(18,000,000)	2,000,000
Mr. Lau Chi Yan, Pierre	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	20,000,000	-	-	(18,000,000)	2,000,000
Mr. Chan Ka Wing (Note 5)	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	-	-	20,000,000	(18,000,000)	2,000,000
Mr. Tsai Wallen (Note 5)	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	-	-	20,000,000	(18,000,000)	2,000,000
Independent non-executive directors:								
Ms. Pang Yuen Shan, Christina	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	2,000,000	-	-	(1,800,000)	200,000
Mr. Ma Chun Fung, Horace (Note 6)	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	2,000,000	(2,000,000)	-	-	-
Mr. Anthony John Earle Grey (Note 6)	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	2,000,000	(2,000,000)	-	-	-
				46,000,000	(4,000,000)	40,000,000	(73,800,000)	8,200,000
Employees in aggregate	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	60,500,000	(40,000,000)	-	(18,450,000)	2,050,000
Consultants in aggregate	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	40,000,000	-	-	(36,000,000)	4,000,000
Former participants in aggregate	9 December 2011	HK\$4.0	3 January 2012 to 8 December 2021	-	-	4,000,000	(3,600,000)	400,000
				146,500,000	(44,000,000)	44,000,000	(131,850,000)	14,650,000

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. Subsequent to the Share Consolidation, the exercise price of the share options was adjusted from HK\$0.40 per share to HK\$4.0 per share and the number of share options granted was adjusted accordingly.
2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
3. During the period, no option was granted, exercised, lapsed or cancelled.
4. 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.
5. Mr. Chan Ka Wing and Mr. Tsai Wallen were appointed as directors of the Company during the period. Accordingly, such share options they held were re-classified from the category of "Employees" to "Executive directors" during the period.
6. Mr. Ma Chun Fung, Horace and Mr. Anthony John Earle Grey ceased to be independent non-executive directors of the Company during the period. Accordingly, such share options they held were re-classified from the category of "Independent non-executive directors" to "Former participants" during the period.

EVENT AFTER THE REPORTING PERIOD

On 28 August 2013, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 69,160,000 shares of the Company at the placing price of HK\$0.25 per share to not less than six places who and whose ultimate beneficial owners are independent third parties. The net proceeds of the placing, after deduction of the placing commission and other related expenses of approximately HK\$0.6 million, will be approximately HK\$16.7 million. The directors intend to use the net proceeds as general working capital of the Group.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange during the six months ended 30 June 2013, except for the following deviations:

Code Provision A.5.1

This code provision stipulates that a listed issuer's nomination committee should comprise a majority of independent non-executive directors. At the Company's annual general meeting held on 3 June 2013, Mr. Ma Chun Fung, Horace retired as the Company's independent non-executive director and a member of the Nomination Committee. Accordingly, the Company's Nomination Committee were left with two executive directors, namely, Mr. Cheung Wai Yin, Wilson and Mr. Chan Ka Wing, and two independent non-executive directors, namely, Mr. Fu Wing Kwok, Ewing and Ms. Pang Yuen Shan, Christina.

Code Provision A.6.7

This code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings. A former independent non-executive director was unable to attend the special general meeting of the Company held on 9 January 2013 due to his business engagement.

DISCLOSURES PURSUANT TO RULES 44(3) AND 44(4) OF APPENDIX 16 TO THE LISTING RULES

In addition to the above deviation of code provision A.5.1 of the CG Code, the Company has also been unable to comply with the following requirement due to the retirement of Mr. Ma Chun Fung, Horace on 3 June 2013:

- (a) Listing Rule 3.10(1), which prescribes that a listed issuer must have at least three independent non-executive directors;
- (b) Listing Rule 3.10A, which prescribes that a listed issuer must appoint independent non-executive directors representing at least one-third of the board;
- (c) Listing Rule 3.21, which prescribes that a listed issuer's audit committee must comprise a minimum of three members; and
- (d) Listing Rule 3.25, which prescribes that a listed issuer's remuneration committee must comprise a majority of independent non-executive directors.

The Company had subsequently complied with the aforesaid code provision A.5.1 and Listing Rule requirements upon its appointment of Mr. Ma Ning and Ms. Yeung Mo Sheung, Ann as independent non-executive directors of the Company and members of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company on 3 September 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 June 2013, 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. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the period ended 30 June 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside 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.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

AUDIT COMMITTEE

Mr. Fu Wing Kwok, Ewing and Ms. Pang Yuen Shan, Christina, being members of the Audit Committee of the Company, have 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 financial statements for the six months ended 30 June 2013.