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DEJIN RESOURCES GROUP COMPANY LIMITED
德金資源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1163)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

ANNUAL RESULTS

The Board of Directors (the "Board") of Dejin Resources Group Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively hereafter referred to as the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	3	**35,881**	134,036
Cost of sales		**(31,570)**	(106,475)
Gross profit		**4,311**	27,561
Investment and other income	4	**126**	37
Other gains and losses	5	**(4,180,961)**	244,531
Selling and distribution costs		**(864)**	(5,521)
Administrative expenses		**(47,878)**	(117,110)
Other operating expenses		**(4,131)**	(52,717)
Operating (loss)/profit		**(4,229,397)**	96,781
Finance costs	6	**(38,335)**	(76,057)
(Loss)/profit before taxation	7	**(4,267,732)**	20,724
Income tax credit	8	**52,088**	7,448
(Loss)/profit for the year		**(4,215,644)**	28,172
(Loss)/profit for the year attributable to:			
Owners of the Company		**(4,199,685)**	48,679
Non-controlling interests		**(15,959)**	(20,507)
		(4,215,644)	28,172
Dividends	9	**–**	–
			(Represented)
(Loss)/earnings per share	10		
– Basic and diluted		**(152.04) HK cents**	2.15 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(4,215,644)**	28,172
Other comprehensive income:		
Exchange differences arising from:		
– Translation of foreign subsidiaries	**6,121**	5,131
– Disposal of subsidiaries	**1,827**	–
Total comprehensive (expense)/income for the year	**(4,207,696)**	33,303
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(4,191,161)**	53,956
Non-controlling interests	**(16,535)**	(20,653)
	(4,207,696)	33,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**12,704**	21,545
Exploration and evaluation assets		**11,934**	120,284
Biological assets		**80,000**	290,000
Land use rights		**36,567**	35,472
Mining rights		**2,800,000**	6,531,645
		2,941,205	6,998,946
Current assets			
Inventories		**7,168**	15,426
Trade and bill receivables	*11*	**28,897**	55,048
Prepayments, deposits and other receivables		**11,498**	110,699
Cash and bank balances		**7,550**	9,788
		55,113	190,961
Current liabilities			
Trade payables	*12*	**27,538**	2,015
Promissory notes		**10,860**	–
Convertible notes		**832,308**	–
Other payables and accruals		**31,431**	20,126
Obligations under finance leases			
– Due within one year		**580**	1,192
Amount due to a related company		**–**	37
Tax liabilities		**13,692**	46,330
		916,409	69,700
Net current (liabilities)/assets		**(861,296)**	121,261
Total assets less current liabilities		**2,079,909**	7,120,207

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Promissory notes		**–**	76,294
Convertible notes		**–**	1,108,309
Obligations under finance leases			
– Due more than one year		**829**	1,998
Deferred tax liabilities		**33,233**	91,193
Provision for land restoration and environmental cost		**64,052**	64,052
		98,114	1,341,846
Net assets		**1,981,795**	5,778,361
Capital and reserves			
Share capital	*13*	**34,581**	917,407
Reserves		**1,952,684**	4,849,889
Equity attributable to owners of the Company		**1,987,265**	5,767,296
Non-controlling interests		**(5,470)**	11,065
Total equity		**1,981,795**	5,778,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Exchange reserve	Share based payment reserve	(Accumulated losses)/ retained profits	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2011	820,740	3,800,543	286	219,197	3,178	–	436,291	31,718	5,311,953
Profit/(loss) for the year	–	–	–	–	–	–	48,679	(20,507)	28,172
Other comprehensive income/(expense) for the year	–	–	–	–	5,277	–	–	(146)	5,131
Total comprehensive income/(expense) for the year	–	–	–	–	5,277	–	48,679	(20,653)	33,303
Placing of new shares	35,000	70,000	–	–	–	–	–	–	105,000
Share issuance expenses	–	(843)	–	–	–	–	–	–	(843)
Recognition of equity-settled share-based payment	–	–	–	–	–	42,225	–	–	42,225
Conversion of convertible notes	61,667	313,929	–	(30,513)	–	–	–	–	345,083
Cancellation of convertible notes	–	–	–	(91,538)	–	–	33,178	–	(58,360)
As at 31 December 2011	917,407	4,183,629	286	97,146	8,455	42,225	518,148	11,065	5,778,361
As at 1 January 2012	**917,407**	**4,183,629**	**286**	**97,146**	**8,455**	**42,225**	**518,148**	**11,065**	**5,778,361**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(4,199,685)**	**(15,959)**	**(4,215,644)**
Other comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**8,524**	**-**	**-**	**(576)**	**7,948**
Total comprehensive (expense)/income for the year	**-**	**-**	**-**	**-**	**8,524**	**-**	**(4,199,685)**	**(16,535)**	**(4,207,696)**
Placing of new shares	**5,700**	**31,350**	**-**	**-**	**-**	**-**	**-**	**-**	**37,050**
Subscription of new shares	**33,800**	**26,600**	**-**	**-**	**-**	**-**	**-**	**-**	**60,400**
Share issuance expenses	**-**	**(2,411)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,411)**
Capital reduction	**(978,159)**	**978,159**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Conversion of convertible notes	**55,833**	**287,884**	**-**	**(27,626)**	**-**	**-**	**-**	**-**	**316,091**
As at 31 December 2012	**34,581**	**5,505,211**	**286**	**69,520**	**16,979**	**42,225**	**(3,681,537)**	**(5,470)**	**1,981,795**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Cash flows from operating activities		
(Loss)/profit before taxation	**(4,267,732)**	20,724
Adjustment for:		
Finance costs	**138**	120
Imputed interest on promissory notes and convertible notes	**38,197**	75,937
Share option expenses	**–**	42,225
Interest income	**(5)**	(20)
Loss on disposal of property, plant and equipment	**–**	2,207
Loss arising from changes in fair value less estimated point-of-sale	**210,000**	44,000
Loss on disposal of subsidiaries	**4,695**	–
Depreciation	**6,694**	4,627
Amortisation of land use rights	**1,410**	609
Amortisation of mining rights	**300**	900
Impairment of mining rights	**3,922,440**	–
Gain on cancellation of convertible notes	**–**	(1,150,160)
Impairment of goodwill	**–**	844,275
Provision for obsolete inventories	**8,000**	–
Impairment of trade and other receivables	**43,830**	17,646
Operating loss before working capital changes	**(32,033)**	(96,910)
Decrease/(increase) in inventories	**260**	(15,142)
(Increase)/decrease in trade and bills receivables	**(29,314)**	70,191
Decrease in prepayments, deposits and other receivables	**73,833**	55,496
Increase/(decrease) in trade payables	**25,523**	(23,646)
Increase/(decrease) in other payables and accruals	**12,900**	(49,219)
Cash generated from/(used in) operations	**51,169**	(59,230)
Interest received	**5**	20
Interest paid	**(138)**	(120)
Corporate income tax paid	**(412)**	(1,806)
Net cash generated from/(used in) operating activities	**50,624**	(61,136)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(15)**	(2,954)
Purchase of exploration and evaluation assets	**(78,000)**	(38,544)
Cash effect of disposal of subsidiaries	**610**	–
Net cash used in investing activities	**(77,405)**	(41,498)

	2012	2011
	HK$'000	*HK$'000*
Cash flows from financing activities		
Repayment of bank loans	**–**	(42,882)
Repayments of obligation under finance leases	**(1,142)**	(1,089)
Repayments of promissory notes	**(69,000)**	(10,000)
Proceeds from placing of new shares	**36,148**	104,157
Proceeds from subscription of new shares	**58,891**	–
Proceeds from obligation under finance leases	**–**	4,279
Repayment of amount due to a related company	**(37)**	–
Net cash generated from financing activities	**24,860**	54,465
Net decrease in cash and cash equivalents	**(1,921)**	(48,169)
Cash and cash equivalents as at 1 January	**9,788**	57,084
Effect of foreign exchange rate changes, net	**(317)**	873
Cash and cash equivalents as at 31 December represented by cash and bank balances	**7,550**	9,788

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding.

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In preparing the consolidated 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$4,215.6 million for the year ended 31 December 2012 and the Group's current liabilities exceeded its current assets by approximately HK$861.3 million as at 31 December 2012; and

(ii) The outstanding principal amount of Convertible Notes ("CN") of approximately HK$843.0 million will be 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 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 announcement, 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, over 75% 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 consolidated financial statements for the year ended 31 December 2012 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 consolidated financial statements.

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

The principal accounting policies used in the preparation of the consolidated 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 the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendment to HKAS 12	Recovery of Underlying Assets

The adoption of the above new and revised HKFRSs in the current year has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated 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 year.

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

3.1 Operating segment information

	Segment revenue		**Segment results**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**28,807**	116,676	**2,255**	22,778
Forestry operation	**2,361**	3,146	**406**	633
Gold Mining operation	**4,713**	14,214	**1,650**	4,150
Total	**35,881**	134,036	**4,311**	27,561
Interest income and other gains and losses			**(4,180,835)**	244,568
Central administration costs			**(52,873)**	(175,348)
Finance costs			**(38,335)**	(76,057)
(Loss)/profit before taxation			**(4,267,732)**	20,724

Segment revenue reported above represented revenue generated from external customers. There were no inter segment sales in the current year (2011: Nil).

Segment assets and liabilities

	Segment assets		**Segment liabilities**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**28,901**	189,901	**41,441**	49,164
Forestry operation	**115,807**	349,442	**25,614**	78,469
Gold Mining operation	**2,833,948**	6,649,518	**76,860**	55,592
Subtotal	**2,978,656**	7,188,861	**143,915**	183,225
Unallocated	**17,662**	1,046	**870,608**	1,228,321
Total	**2,996,318**	7,189,907	**1,014,523**	1,411,546

1. For internal reports that are regularly reviewed by the chief operating decision maker, lighting division for both export market and the People's Republic of China (the "PRC") market is considered as one reportable segment for the purpose of allocating resources to segments and assessing their performance for segment assets, segment liabilities and other segment information.

2. For the purposes of monitoring segment performances and allocating resources between segments:

   – all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly by reportable segments.

   – all liabilities are allocated to reportable segments other than derivative financial instruments, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

Other segment information

	Depreciation and amortisation		**Capital expenditures**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Forestry operation	**2,999**	2,239	**–**	412
Gold Mining operation	**5,405**	3,897	**78,015**	41,086
	8,404	6,136	**78,015**	41,498

In addition to the depreciation and amortisation reported above, the impairment losses of HK$43,830,000 (2011: HK$17,646,000) were recognised in respect of trade and other receivables. These impairment losses were attributable to the following reportable segments:

	Impairment losses recognised					
			Trade and other			
	Mining rights		receivables		Goodwill	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**–**	–	**25,184**	1,103	**–**	–
Forestry operation	**–**	–	**18,646**	–	**–**	5,318
Gold Mining operation	**3,922,440**	–	**–**	16,543	**–**	838,957
	3,922,440	–	**43,830**	17,646	**–**	844,275

The Group also recognised the loss arising from changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$210,000,000 (2011: loss of HK$44,000,000) which was related to forestry operation.

3.2 Geographical information

The Group's operations were located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**35,881**	17,360	**2,949,755**	6,970,967
United States of America	**–**	116,676	**–**	27,057
Canada	**–**	–	**–**	363
Others*	**–**	–	**46,563**	191,520
	35,881	134,036	**2,996,318**	7,189,907

* Others represent unallocated items.

4. Investment and other income

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**5**	20
Other income	**121**	17
	126	37

5. Other gains and losses

	2012	2011
	HK$'000	*HK$'000*
Loss on disposal of subsidiaries	**(4,695)**	–
Loss arising from changes in fair value less estimated point-of-sale cost of timber holdings	**(210,000)**	(44,000)
Gain on cancellation of convertible notes	**–**	1,150,160
Net foreign exchange gain	**4**	292
Impairment loss recognised in respect of goodwill	**–**	(844,275)
Impairment loss recognised in respect of trade and other receivables	**(43,830)**	(17,646)
Impairment loss recognised in respect of mining rights	**(3,922,440)**	–
	(4,180,961)	244,531

6. Finance costs

	2012	2011
	HK$'000	*HK$'000*
Imputed interest on convertible notes	**34,631**	72,550
Imputed interest on promissory notes	**3,566**	3,387
Interest on obligations under finance leases	**135**	120
Interest on bank loans and overdrafts wholly repayable within five years	**3**	–
	38,335	76,057

7. **(Loss)/profit before taxation**

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

	2012	2011
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**6,694**	4,627
Amortisation of land use rights	**1,410**	609
Amortisation of mining rights	**300**	900
Provision for obsolete inventories	**8,000**	–
Loss on disposal of property, plant and equipment	**–**	2,207

8. **Income tax credit**

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
PRC enterprise income tax	**(412)**	(1,806)
Other jurisdictions	**–**	(1,746)
	(412)	(3,552)
Deferred tax charge to profit and loss	**52,500**	11,000
	52,088	7,448

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the current and prior years. The 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.

9. **Dividends**

The Board do not recommend the payment of any final dividend in respect of the year ended 31 December 2012 (2011: Nil).

10. (Loss)/earnings per share

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

	2012	2011
	HK$'000	*HK$'000*
Earnings:		
(Loss)/earnings for the purpose of basic earnings per share attributable to owners of the Company	**(4,199,685)**	48,679
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**34,631**	72,550
(Loss)/earnings for the purpose of diluted earnings per share attributable to owners of the Company	**(4,165,054)**	121,229

		(Represented)
	2012	2011
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,762,241**	2,266,428
Effect of dilutive potential ordinary shares:		
Convertible notes issued by the Company	**351,250**	490,833
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,113,491**	2,757,261

For the years ended 31 December 2012 and 31 December 2011, no dilutive earnings per share has been presented as the outstanding share options for the year had an anti-dilutive effect on the basic earnings per share as the exercise price of the share options was higher than the average market price of the Company's ordinary shares, and the conversion of the Company's outstanding convertible notes could result in an increase in the earnings per share.

11. 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**1,901**	31,348
31 – 90 days	**2,806**	71
91 – 180 days	**15,667**	141
181 – 360 days	**8,523**	15,898
Over 360 days	**–**	7,590
	28,897	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.

12. 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 90 days	**5,305**	2,008
91 – 180 days	**3,470**	–
181 – 360 days	**18,763**	–
Over 360 days	**–**	7
	27,538	2,015

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

13. Share capital

		Company	
		Number of shares	Nominal values
	Notes	*'000*	*HK$'000*
Authorised:			
Ordinary shares of HK$0.1 each			
As at 1 January 2011, 31 December 2011 and 1 January 2012		25,000,000	2,500,000
Share consolidation	*a*	(18,750,000)	–
Ordinary shares of HK$0.4 each		6,250,000	2,500,000
Share sub-division	*b*	243,750,000	–
As at 31 December 2012, ordinary shares of HK$0.01 each		250,000,000	2,500,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
As at 1 January 2011		8,207,399	820,740
Issuance of shares pursuant to conversion of convertible notes		616,667	61,667
Placing of new shares		350,000	35,000
As at 31 December 2011 and 1 January 2012		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
Placing of new shares		570,000	5,700
As at 31 December 2012, ordinary shares of HK$0.01 each		3,458,100	34,581

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 of the Company ("Capital Reorganisation"). The Capital Reorganisation involved the following:

(a) 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");

(b) 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

(c) 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 year ended 31 December 2012 amounted to HK$35.9 million (31 December 2011: HK$134.0 million), representing a 73.2% decrease over the previous year. 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 gold mining segments.

Loss attributable to the owners of the Company for the year amounted to HK$4,199.7 million (31 December 2011: profit of HK$48.7 million). The loss mainly arose from the poor performance of all business segments, the non-cash imputed interest on promissory notes and convertible notes issued by the Company, the impairment loss recognised in respect of mining rights, exploration assets, biological assets, trade and other receivables and the absence of gain on cancellation of convertible notes during the year ended 31 December 2011.

As at 31 December 2012, the Group's equity attributable to owners of the Company amounted to HK$1,987.3 million, a decrease of HK$3,780.0 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 31 December 2012 was HK$0.57 (31 December 2011: Represented HK$2.51).

Gold Mining Segment

For the year under review, the total amount of unprocessed gold ore sold to customers was approximately HK$4.7 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, we are working closely with the local government to accelerate the integration of the gold mine resources in Qinglong County and Longhua County.

We have engaged an independent qualified professional valuer to formulate and express an independent opinion on the market value of the gold mine resources in Hebei Province and Shandong Province ("mining rights"), the Group recognised the impairment loss of approximately HK$3,922.4 million as at the year ended 31 December 2012 and the market value of the mining rights reduced to HK$2,800.0 million as at 31 December 2012.

Lighting Segment

Turnover derived from the lighting segment amounted to approximately HK$28.8 million, representing a fall of about 75.3% as compared to last year. The contraction of customer orders, rising labor costs and high inflation were the major factors to account for the poor performance of the lighting segment. Faced with global economic uncertainties, customers were very cautious in placing orders during the reporting year. Management is now developing the domestic lighting market to cope with shrinking orders from overseas.

Forestry Segment

The performance of the forestry segment remained unsatisfactory and the turnover was approximately HK$2.4 million, compared to HK$3.1 million reported last year. Management will continue to put more efforts into marketing campaigns in order to stimulate the demand of timber products. With reference to its estimated market value provided by an independent qualified professional valuer, the Group recognised the impairment loss arising from changes in fair value less estimated point-of-sale cost of timber holdings approximately HK$210.0 million as at the year ended 31 December 2012.

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 be commenced as early as possible. To accelerate the development of our gold mine resources, the Group is actively looking for qualified venture partners with extensive mining experience to commence the exploration and exploitation activities at our selected gold mines. In addition, the Group will keep looking for opportunities to raise funds to finance capital expenditures at our gold mines and provide sufficient funds for expanding exploration activities.

Financial Resources and Liquidity

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

	As at	
	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
Debt		
– from obligations under finance leases	**1,409**	3,190
– from promissory notes	**10,860**	76,294
– from convertible notes	**832,308**	1,108,309
Total debt	**844,577**	1,187,793
Cash and bank balances	**7,550**	9,788
Net debt	**837,027**	1,178,005
Total capital (Equity and total debt)	**2,826,372**	6,966,154
Total assets	**2,996,318**	7,189,907
Financial leverage		
– total debt to total capital	**29.9%**	17.1%
– total debt to total assets	**28.2%**	16.5%
– net debt to total capital	**29.6%**	16.9%
– net debt to total assets	**27.9%**	16.4%

Capital Structure

On 9 May 2012, Capital Reorganisation involving the Share Consolidation, Share Sub-division and Share Reduction was approved by the shareholders of the Company. Subsequent to the Capital Reorganisation, the paid up capital of an issued share of the Company was reduced from HK$0.1 each to HK$0.01 each. During the year, 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 also completed (i) two subscriptions of new shares in March and May 2012 respectively; and (ii) a placing of new shares in October 2012, and successfully raised the net amount of approximately HK$95.5 million for settlement of the promissory notes and general working capital purpose. As at 31 December 2012, the issued share capital of the Company was reduced to HK$34.6 million (31 December 2011: HK$917.4 million), represented by approximately 3,458.1 million ordinary shares as at 31 December 2012 (31 December 2011: approximately 9,174.1 million ordinary shares).

Pledge of Assets

As at 31 December 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 31 December 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 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 year ended 31 December 2012.

Employees and Remuneration Policies

As at 31 December 2012, the Group had approximately 70 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 audited consolidated financial statements, the Litigation is still in progress.

EVENT AFTER THE REPORTING PERIOD

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. The Capital Reorganisation involved the following:

(a) 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;

(b) immediately following the said share consolidation, each unissued consolidated share of in the authorized 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;

(c) 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; and

(d) the credit arising from the aforesaid capital reduction be transferred to the contributed surplus account of the Company.

Subsequent to such capital reorganisation, the conversion price of the outstanding convertible notes is adjusted from HK$2.4 per share to HK$24.0 per new share. The exercise price of the outstanding share options is adjusted from HK$0.4 per share to HK$4.0 per new share and the number of shares to be subscribed for the share options granted is adjusted from 146,500,000 shares to 14,650,000 new shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The auditor of the Company included a section of "Emphasis of matter" in their independent auditor's report, the detail of which are set out as follows:

Without qualifying our opinion, we draw attention to note 1 to the financial statements which indicates that as of 31 December 2012, the Group's current liabilities exceed its current assets by approximately HK$861,296,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Company to reach an agreement with the holders of the convertible notes for the amendment and whether all relevant approvals such as shareholders' approval, regulatory approvals and where necessary the court approvals can be obtained. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in (i) the former Code on Corporate Governance Practices during the period from 1 January to 31 March 2012, and (ii) the new Corporate Governance Code during the period from 1 April to 31 December 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 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 allows for effective and efficient planning and implementation of business strategies and decisions.

Code Provision A.6.7

This code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings. The former independent non-executive director was unable to attend the special general meeting of the Company held on 9 May 2012 and the annual general meeting of the Company held on 31 May 2012 due to his business engagement.

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 audited consolidated financial statements for the year ended 31 December 2012.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Cheung Wai Yin, Wilson, Mr. Tian Lidong, Mr. Lau Chi Yan, Pierre, Mr. Mow Tai Loy and Mr. Zhao Zhibin; and three independent non-executive directors, namely, Mr. Ma Chun Fung, Horace, Ms. Pang Yuen Shan, Christina and Mr. Fu Wing Kwok, Ewing.

By Order of the Board
Dejin Resources Group Company Limited
Cheung Wai Yin, Wilson
Chairman

Hong Kong, 28 March 2013