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**中廣核礦業有限公司\***  
**CGN Mining Company Limited**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01164)

**ANNOUNCEMENT – UNAUDITED RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

The unaudited quarterly results for the three months ended 31 March 2012 (the “**Unaudited Results**”) of CGN Mining Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) was approved by the board of directors of the Company (the “**Board**”) on 5 July 2012.

The Company voluntarily announces its Unaudited Results pursuant to the requirements set out in chapter 13 of the Listing Rules.

**UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2012:**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		(Unaudited)	
		3 months ended 31 March	
	Notes	2012	2011
		HK\$'000	HK\$'000
Turnover	2	441,346	96,728
Cost of sales		<u>(401,713)</u>	<u>(28,623)</u>
Gross profit		39,633	68,105
Other operating income		7,372	5,415
Selling and distribution expenses		(3,612)	(18,668)
Administrative expenses		(23,938)	(14,095)
Finance costs		<u>(6,317)</u>	<u>(1)</u>
Profit before taxation		13,138	40,756
Income tax expense	3	<u>–</u>	<u>(7,147)</u>
Profit for the period		<u><b>13,138</b></u>	<u><b>33,609</b></u>
Profit for the period attributable to:			
Owners of the Company		13,168	32,836
Non-controlling interests		<u>(30)</u>	<u>773</u>
		<u><b>13,138</b></u>	<u><b>33,609</b></u>
Earnings per share	5		
Basic		<u><b>HK0.40 cents</b></u>	<u>HK2.12 cents</u>
Diluted		<u><b>HK0.33 cents</b></u>	<u>HK2.11 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**(Unaudited)**  
**3 months ended 31 March**  
**2012**                      2011  
*HK\$'000*                      *HK\$'000*

Profit for the period	<b>13,138</b>	33,609
Other comprehensive income		
Exchange differences arising on translating foreign operations during the period	<u>2,256</u>	<u>18,063</u>
Total comprehensive income for the period	<u><b>15,394</b></u>	<u>51,672</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<b>15,402</b>	50,798
Non-controlling interests	<u>(8)</u>	<u>874</u>
	<u><b>15,394</b></u>	<u>51,672</u>

**As the Unaudited Results may not reflect the results for the year ending 31 December 2012, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.**

## NOTES TO UNAUDITED RESULTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited results for the three months ended 31 March 2012 have been prepared in accordance with accounting principles generally accepted in Hong Kong and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The unaudited results should be read in conjunction with the 2011 annual report. The audit committee of the Company, which consists of one non-executive director and two independent non-executive directors, has reviewed the results announcement for the three months ended 31 March 2012.

### 2. TURNOVER AND SEGMENT INFORMATION

Turnover represents amount received and receivable from sales of goods net of returns, discounts allowed, sales related taxes and rental income during the period.

During the year ended 31 December 2011, a new segment of uranium trading was introduced after the Company entered into a framework agreement on 21 October 2011 with 中廣核鈾業發展有限公司 (CGNPC Uranium Resources Co., Ltd) (“CGNPC-URC”) (presently known as 中廣核燃料有限公司 (CGNPC Nuclear Fuel Co., Ltd.), a company established in the People’s Republic of China (the “PRC”) with limited liability and the sole shareholder of China Uranium Development Company Limited, the parent of the Company), in relation to the sale of natural uranium by the Group to CGNPC-URC.

The Group’s reportable and operating segments, based on the information reported to the chief operating decision maker, the Chief Executive Officer, for the purposes of resource allocation and performance assessment are as follows:

- a) pharmaceutical and food segment engages in the selling, distributing and manufacturing of pharmaceutical and food products;
- b) property investment segment engages in leasing, developing and selling of office premises and residential properties; and
- c) natural uranium trading segment engages in trading of natural uranium resources.

No operating segments have been aggregated to form the above reportable segments.

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

#### Three months ended 31 March 2012

	Pharmaceutical and food <i>HK\$’000</i> (Unaudited)	Property investment <i>HK\$’000</i> (Unaudited)	Natural uranium trading <i>HK\$’000</i> (Unaudited)	Total <i>HK\$’000</i> (Unaudited)
Turnover	17,050	1,990	422,306	441,346
Segment (loss) profit	(15,650)	560	30,713	15,623
Other income and gains				7,372
Central administrative costs				(3,540)
Finance costs				(6,317)
Profit before taxation				<u>13,138</u>

Three months ended 31 March 2011

	Pharmaceutical and food <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	95,796	932	96,728
Segment profit (loss)	38,845	(372)	38,473
Other income and gains			5,415
Central administrative costs			(3,131)
Finance costs			(1)
Profit before taxation			<u>40,756</u>

### 3. INCOME TAX EXPENSE

	(Unaudited)	
	3 months ended 31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC Enterprise Income Tax – current period	–	7,147

No tax is payable on the profit for the three months ended 31 March 2012 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

Hong Kong Profits Tax has not been provided for the three months ended 31 March 2011 as there was no estimated assessable profit derived from Hong Kong.

In prior years, the Hong Kong Profits Tax amounting to HK\$13,041,000 of a subsidiary of the Company in respect of the years of assessment 2000/01 to 2003/04 are under inquiries by the Hong Kong Inland Revenue Department (the “IRD”). The Group lodged objections against the assessments and the IRD held over the payment of the profits tax and tax reserve certificates totaling HK\$7,791,000 were purchased.

During the year ended 31 December 2011, the IRD further issued protective profits tax assessments of approximately HK\$8,750,000 to that subsidiary relating to the year of assessment 2004/05. The Group again lodged objections with the IRD against the protective assessments and purchased a tax reserve certificate of approximately HK\$4,000,000 during the year ended 31 December 2011 as demanded by the IRD.

The directors of the Company believes that that subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

Besides, the IRD issued protective profits tax assessments of approximately HK\$5,849,000 to another subsidiary of the Company relating to the years of assessment 2002/03 and 2003/04 in prior years. The Group lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the tax claim subject to the purchasing of a tax reserve certificate of approximately HK\$300,000. The Group purchased the tax reserve certificate as demanded by the IRD.

The directors of the Company believes that that subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and previous periods.

Certain PRC subsidiaries were either in loss-making position for the current and the previous periods or had sufficient tax losses brought forward from previous period to offset the estimated assessable income for the period and accordingly did not have any assessable income for the current and previous periods.

The subsidiary operating in Macau is exempted from the income tax in Macau for the current and previous periods.

Pursuant to the laws and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI for the current and previous periods.

#### 4. INTERIM DIVIDEND

The Board does not recommend any interim dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

#### 5. EARNINGS PER SHARE

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

	(Unaudited)	
	3 months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	13,168	32,836
Effect of dilutive ordinary shares in respect of interest on convertible bonds	6,317	–
	<b>19,485</b>	<b>32,836</b>
Profit for the period attributable to the owners of the Company for the purpose of diluted earnings per share	<b>19,485</b>	<b>32,836</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,332,586,993	1,551,056,993
Effect of dilutive ordinary shares in respect of:		
– share options	173,992	2,522,606
– convertible bonds	2,608,695,652	–
	<b>5,941,456,637</b>	<b>1,553,579,599</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>5,941,456,637</b>	<b>1,553,579,599</b>

## **BUSINESS REVIEW**

For the three months ended 31 March 2012 (“**period under review**” or “**reporting period**”), the consolidated turnover of the Group increased by 356% to approximately HK\$441.3 million as compared to approximately HK\$96.7 million for the corresponding period. The increase was attributed to the new natural uranium trading business which brought in approximately HK\$422.3 million turnover in this period. The profits attributable to owners of the Company was amounted to approximately HK\$13.2 million. It represented a decrease of 60% as compared to the profit amounted to approximately HK\$32.8 million in the corresponding period. The decrease was mainly caused by the declining performance of the pharmaceutical and food segment. A segment loss of approximately HK\$15.7 million was recorded during the period while the segment profits for the corresponding period was approximately HK\$38.8 million.

### **Trading of Natural Uranium**

The Group has begun the trading of natural uranium business in the fourth quarter of year 2011. Uranium has the largest atomic number of natural element. In the crust, uranium exists in uranium minerals, isomorphic form and in adsorbed state. Uranium is chemically active, in which no pure uranium exist in nature. In general, uranium ore is mined and then uranium is extracted from the ore to form uranium-rich intermediate products, often referred to as uranium concentrates, which is further purified into uranium oxides. The international market usually uses triuraniumoctaoxide ( $U_3O_8$ ) as the standard product in the trade of natural uranium.

The Group has recorded HK\$422.3 million turnover in trading of natural uranium in the reporting period.

### **Pharmaceutical and Food Industry**

#### *Product Sales*

During the reporting period, the Group’s turnover from sales of pharmaceutical and food product was amounted to approximately HK\$17.1 million, a decrease of approximately 82% as compared with the sales of approximately HK\$95.8 million for the corresponding period.

“Osteoform Calcium Food”, a food product of the Group

The Group’s food product “Osteoform Calcium Food” consists of multiple minerals and vitamins. Its nutrition facilitates the absorption of calcium by human body, thus helping the formation of bone matrix and the maintenance of bone density. Turnover for the reporting period amounted to approximately HK\$0.1 million, representing a decrease of approximately 100% as compared to approximately HK\$60.9 million for the corresponding period. The decrease was mainly attributable to the fact that the Group has stopped the production of Osteoform Calcium Food last year.

“Osteoform Vitamins with minerals dispersible tablet”, a compound vitamin and minerals product

“Osteoform Vitamins with minerals dispersible tablet”, a compound product for the prevention and treatment of disease caused by lack of vitamins and minerals. The sales turnover for the reporting period was approximately HK\$0.8 million, representing a decrease of approximately 81% as compared to HK\$4.3 million for the corresponding period. The decrease was due to the scale down of production of this product by the Group in the reporting period.

## Madaus products

For the trading of overseas agency products of Madaus GmbH, Germany, which include Legalon (Silymarin) and Uralyt-U (Potassium Sodium Hydrogen Citrate Granules), etc., the Group has recorded sales of approximately HK\$7.6 million for the reporting period, representing a decrease of approximately 49% when compared to HK\$15.0 million for the corresponding period.

“Taurolite®”, a prescription medication capable of dissolving the cholesterol stones formed in the gallbladder and bile-duct

“Taurolite®” Tauroursodeoxycholic acid capsule, it cures and prevents liver diseases such as cholelithiasis and chronic bile stasis. In the case of cholesterol stone smaller than 2cm, sufferers may simply dissolve it by taking the medication without having to undergo operation. “Taurolite®” has been launched into the market during the second half of year 2009. The sales turnover for the reporting period was around HK\$3.4 million, representing an increase of approximately 3% when compared to approximately HK\$3.3 million in the corresponding period.

“Vital Fast”, a slow release flu medication formulated with loratadine, pseudoephedrine sulphate and paracetamol

“Vital Fast”, a flu medication of the Group, turnover for the reporting period was approximately HK\$1.4 million, representing a draw back of approximately 26% when compared to approximately HK\$1.9 million in the corresponding period.

“Opin”, an interferon suppository for the treatment of chronic viral cervicitis and vaginitis

Turnover of “Opin” for the reporting period amounted to approximately HK\$1.1 million, a draw back of approximately 31% when compared to around HK\$1.6 million in the corresponding period.

## *Selling and Distribution Expenses*

The Group had identified that high selling and distribution expense was a business risk, and aimed at tightening the outflow. The selling and distribution expenses for pharmaceutical and food segment for the period under review were approximately HK\$3.6 million, decreased by about 81% when compared to approximately HK\$18.7 million in the corresponding period. The selling and distribution expenses to sales turnover ratio for the reporting period was approximately 21%, whereas the ratio was 19% and 26% in the corresponding period and prior year respectively.

## *The Production Base in Wuhan, Hubei Province, the PRC*

During the period under review, major production included a new drug “Glimepiride orally disintegrating tablets” – medication for diabetes, “Vital Fast” – a slow release flu medication, “Opin” – a gynaecology biological drug.

## *Sichuan Hengtai Pharmaceutical Company Limited*

Sichuan Hengtai Pharmaceutical Company Limited is the major sales arm of the Group. During the period under review, major sales products included “Osteoform Calcium Food”, Madaus products, “Osteoform Vitamins with minerals dispersible tablet” and “Taurolite®” etc.

## **Property Investment**

### *Leased investment property*

During the reporting period, the leased investment property business had contributed around HK\$2.0 million rental income to the Group, representing an increase of approximately 122% as compared to HK\$0.9 million for the corresponding period. The increase was mainly due to improvement of occupancy rate and rental level.

## **BUSINESS PROSPECTS**

The Board is of the view that, in the foreseeable future, consolidation will be seen in the markets of food, pharmaceuticals and properties of the PRC, with substantial pressure existing in the operating environment. The Group will strengthen risk management and scale down the existing pharmaceutical and food business. On the other hand, the Group will expand the scale of trading of natural uranium and proactively identify uranium resource investment opportunities.

By Order of the Board  
**CGN Mining Company Limited**  
**He Zuyuan**  
*Chief Executive Officer*

Hong Kong, 5 July 2012

*As at the date of this announcement, the board of directors of the Company comprises two executive directors: Mr. He Zuyuan (chief executive officer), Mr. Li Xianli and four non-executive directors: Mr. Yu Zhiping (chairman), Mr. Wei Qiyang, Ms. Jin Yunfei and Mr. Huang Jianming and three independent non-executive directors: Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong.*

*\* For identification purposes only*