



# Grand T G Gold Holdings Limited 大唐潼金控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8299)



**2009 Interim Report**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## FINANCIAL RESULTS

The board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2009, together with the comparative unaudited figures for the six months ended 30 September 2008 (the "Corresponding Period"), as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	40,168	107,812	28,656	42,388
Cost of sales		(31,979)	(83,784)	(20,982)	(36,691)
Gross profit		8,189	24,028	7,674	5,697
Other income	5	2,398	55	720	(36)
Selling and distribution expenses		(64)	(462)	(13)	(64)
Administrative expenses		(22,647)	(13,426)	(12,632)	(8,830)
Operating profit/(loss)	6	(12,124)	10,195	(4,251)	(3,233)
Finance costs	7	(25,360)	(11,133)	(12,741)	(6,567)
(Loss)/profit before taxation		(37,484)	(938)	(16,992)	(9,800)
Taxation	8	(18)	(171)	(5)	(120)
(Loss)/profit for the period		(37,502)	(1,109)	(16,997)	(9,920)
Attributable to:					
Shareholders of the Company		(38,417)	(5,785)	(17,746)	(10,856)
Minority interests		915	4,676	749	936
(Loss)/profit for the period		(37,502)	(1,109)	(16,997)	(9,920)
Dividends	9	-	-	-	-
(Loss)/earnings per share	10	HK Cents	HK Cents	HK Cents	HK Cents
Basic		(1.48)	(0.41)	(0.65)	(0.76)
Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September		
	<i>Note</i>	2009 <b>HK\$'000</b>	2008 <i>HK\$'000</i>	2009 <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Loss for the period		<b>(37,502)</b>	(1,109)	<b>(16,997)</b>	(9,920)
Other comprehensive income:					
Exchange differences arising from translation of financial statements of overseas subsidiaries		<b>334</b>	1,561	–	954
Total comprehensive income for the period		<b>(37,168)</b>	452	<b>(16,997)</b>	(8,966)
Total comprehensive income attributable to:					
Equity holders of the Company		<b>(38,083)</b>	(4,247)	<b>(17,746)</b>	(9,925)
Minority interests		<b>915</b>	4,699	<b>749</b>	959
		<b>(37,168)</b>	452	<b>(16,997)</b>	(8,966)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	(Audited) As at 31 March 2009 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		25,771	28,117
Prepaid land lease premium		1,603	1,583
Club membership		135	135
Trade receivable		3,638	7,606
Deposit for acquisition of subsidiaries		–	–
Exploration and evaluation assets		108,819	103,213
Goodwill		1,408,028	1,408,028
Deferred tax assets		40	71
		<b>1,548,034</b>	1,548,753
<b>Current assets</b>			
Prepaid land lease premium		–	37
Prepayments for exploration and evaluation assets and mining rights		48,771	48,478
Inventories		5,884	7,651
Trade and other receivables	//	23,958	14,640
Cash and cash equivalents		7,689	9,966
		<b>86,302</b>	80,772
<b>Current liabilities</b>			
Trade and other payables	/2	19,411	26,431
Amount due to directors		31,041	33,843
Tax payable		6,400	6,212
Interest-bearing borrowings		10,305	28,111
		<b>67,157</b>	94,597
<b>Net current assets/(liabilities)</b>		<b>19,145</b>	(13,825)
<b>Total assets less current liabilities</b>		<b>1,567,179</b>	1,534,928

	<i>Note</i>	<b>(Unaudited) As at 30 September 2009 HK\$'000</b>	(Audited) As at 31 March 2009 HK\$'000
<b>Non-current liabilities</b>			
Convertible bonds		<b>422,363</b>	400,995
Promissory notes		<b>138,240</b>	138,240
Amount due to a minority shareholder of a subsidiary		<b>39,398</b>	56,238
Deferred tax liabilities		<b>891</b>	903
		<b>600,892</b>	596,376
<b>Net assets</b>			
		<b>966,287</b>	938,552
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>10,910</b>	8,270
Reserves		<b>952,112</b>	927,933
Equity attributable to equity holders of the Company		<b>963,022</b>	936,203
Minority interests		<b>3,265</b>	2,349
<b>Total equity</b>			
		<b>966,287</b>	938,552

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)  
Six months ended  
30 September

<i>Note</i>	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	<b>(18,004)</b>	13,441
Net cash used in investing activities	<b>(8,508)</b>	(10,814)
Net cash (used in)/generated from financing activities	<b>24,183</b>	(9,955)
Net decrease in cash and cash equivalents	<b>(2,329)</b>	(7,328)
Cash and cash equivalents at beginning of the period	<b>9,966</b>	19,961
Effect of foreign exchange rate changes	<b>52</b>	(58)
Cash and cash equivalents at end of the period	<b>7,689</b>	12,575
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>7,689</b>	12,575

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Exchange reserve	Capital reserve	Other reserve	Reva- luation reserve	Statutory surplus reserve	Statutory welfare fund	Statutory general reserve	Retained profits/ (Accumulated losses)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended													
30 September 2009													
(Unaudited)													
At 1 April 2009	8,270	796,104	2,566	186,187	-	7,797	325	162	485	(65,693)	936,203	2,349	938,552
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	-	334	-	-	-	-	-	-	-	334	-	334
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	-	(38,417)	(38,417)	915	(37,502)
Total comprehensive income for the period	-	-	334	-	-	-	-	-	-	(38,417)	(38,083)	915	(37,168)
Issue of shares	2,640	62,263	-	-	-	-	-	-	-	-	64,903	-	64,903
At 30 September 2009	10,910	858,367	2,900	186,187	-	7,797	325	162	485	(104,110)	963,023	3,264	966,287
For the six months ended													
30 September 2008													
(Unaudited)													
At 1 April 2008	3,871	98,045	2,147	13,463	-	10,480	325	162	485	26,686	155,644	-	155,644
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	-	1,538	-	-	-	-	-	-	-	1,538	23	1,561
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	-	(5,785)	(5,785)	4,676	(1,109)
Total comprehensive income for the period	-	-	1,538	-	-	-	-	-	-	(5,785)	4,247	4,699	452
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	38,082	38,082
Issue of Convertible Bonds	-	-	-	-	31,121	-	-	-	-	-	31,121	-	31,121
Conversion of convertible bonds	1,654	248,478	-	-	(9,577)	-	-	-	-	-	240,555	-	240,555
Issue of shares	1,655	409,038	-	-	-	-	-	-	-	-	410,693	-	410,693
At 30 September 2008	7,180	755,561	3,685	13,463	21,544	10,480	325	162	485	20,901	833,786	42,781	876,567





# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2009*

## **1. GENERAL INFORMATION**

The Group is principally engaged in gold exploration, mining and mineral processing in the People's Republic of China (the "PRC") (the "Gold Mining Division"). It also involves in the design, manufacture and distribution of desktop personal computer display cards (the "PC Component Division").

## **2. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2009.

The preparation of the Group's unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies, classification and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Group has adopted all the new and amended HKFRSs, amendments and interpretations which are first effective for the current accounting period of and relevant to the Group. The adoption of new and amended HKFRSs had no material effect on how the unaudited consolidated results for the current or prior accounting periods have been prepared and presented.

The unaudited condensed consolidated financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

### 3. REVENUE

Revenues recognized in the periods are as follows:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>		<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>	
	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Gold Mining Division	<b>17,375</b>	36,520	<b>12,771</b>	11,066
PC Component Division	<b>22,793</b>	71,292	<b>15,885</b>	31,322
Total revenue	<b>40,168</b>	107,812	<b>28,656</b>	42,388

#### 4. SEGMENTAL INFORMATION

Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions. Segment information by business segment is presented as follows:

##### Primary reporting format – business segments

	(Unaudited)							
	Six months ended 30 September							
	Gold Mining		PC Component		Corporate		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover for external customers	17,375	36,520	22,793	71,292	–	–	40,168	107,812
Gross profit	10,779	23,567	1,946	3,702	–	–	12,725	27,269
Other income	2,349	1	49	54	–	–	2,398	55
Operating expenses	(5,017)	(4,398)	(4,179)	(3,973)	(13,306)	(3,366)	(22,502)	(11,737)
	8,111	19,170	(2,184)	(217)	(13,306)	(3,366)	(7,379)	15,587
Depreciation and amortisation	(2,705)	(3,359)	(1,988)	(2,033)	(52)	–	(4,745)	(5,392)
Segment results	5,406	15,811	(4,172)	(2,250)	(13,358)	(3,366)	(12,124)	10,195
Finance costs							(25,360)	(11,133)
Loss before taxation							(37,484)	(938)
Taxation							(18)	(171)
Loss after taxation							(37,502)	(1,109)
Minority interest							(915)	(4,676)
Net loss for the period							(38,417)	(5,785)

There were no material changes to assets and liabilities from the amounts disclosed in the last annual financial statements.

## Secondary reporting format – geographical segments

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue by location of customers				
PRC, excluding Hong Kong and Taiwan	29,013	58,652	21,596	20,564
Taiwan	5,262	33,571	4,293	14,928
Hong Kong	1,790	1,574	1,245	778
Singapore	1,584	2,820	893	1,506
Australia	74	683	–	105
Other Asia – Pacific regions	2,433	9,466	622	4,084
Europe	12	145	7	82
Other regions	–	901	–	341
	40,168	107,812	28,656	42,388

## 5. OTHER INCOME

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Interest income	–	56	–	55
Gain on disposal of fixed assets	–	10	–	–
Sundry income	2,398	(11)	720	(91)
	2,398	55	720	(36)

## 6. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold	27,442	80,543	18,699	34,827
Amortisation of intangible assets	2,561	3,241	1,295	1,864
Amortisation of land lease premium	18	18	9	9
Depreciation	2,166	2,133	1,086	1,037
Operating lease rentals in respect of land and buildings	1,351	686	673	362
Impairment loss recognized in respect of trade and other receivables	-	-	-	-
Research and development cost	-	427	-	162
Staff costs including directors' emoluments	11,134	10,453	5,840	6,536

## 7. FINANCE COSTS

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Amortisation of convertible bonds	21,368	9,112	10,881	5,348
Interest on bank loans and overdrafts	2,427	717	1,077	437
Interest on promissory note	1,565	1,304	783	782
	25,360	11,133	12,741	6,567

## 8. TAXATION

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>		<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>	
	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong profits tax	-	-	-	-
Overseas taxation	-	140	-	108
	-	140	-	108
Deferred tax charged/(credit)	<b>18</b>	31	<b>5</b>	12
	<b>18</b>	171	<b>5</b>	120

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit for the period (six months ended 30 September 2008: Nil).

Overseas taxation represents tax charges on the estimated assessable profits of subsidiaries operating overseas including the PRC, calculated at rates applicable in the respective jurisdictions for the period.

SPI Distribution Macao Commercial Offshore Limited ("Espco Macau") has been registered as an "Offshore Commercial Services Institution" with the Macao Trade and Investment Promotion Institute. In accordance with the Macao Special Administrative Region's Offshore Law, Espco Macau is exempted from Macau income tax derived from its offshore business.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit attributable to equity holders of the Company	<b>(38,417)</b>	(5,785)
Amortisation of convertible bonds	<b>21,368</b>	9,112
(Loss)/earnings for the purpose of diluted earnings per share	<b>(17,049)</b>	3,327
	<b>Number of shares</b>	
Weighted average number of ordinary shares in issue	<b>2,597,560,434</b>	1,395,356,828
Effective of diluted weighted average of ordinary shares on conversion of convertible bonds	<b>895,608,000</b>	49,685,567
Weighted average number of ordinary shares for calculation of diluted (loss)/earnings per share	<b>3,493,168,434</b>	1,445,042,395

*(note)*

*Note:* The above weighted average number of ordinary shares for calculation of the basic and diluted earnings per share for the six months ended 30 September 2008 have been adjusted to take into account the consolidation of four existing shares into one consolidated share of the Company as approved by the shareholders of the Company at an extraordinary general meeting on 4 May 2009.

No diluted (loss)/earnings per share have been presented for the six months ended 30 September 2009 and 2008 as the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

## II. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 September 2009 HK\$'000	(Audited) As at 31 March 2009 HK\$'000
Trade receivables	18,724	20,264
Other receivables, deposits and prepayments	8,872	1,982
	<b>27,596</b>	22,246

The aged analysis of the Group's trade receivable is as follows:

	(Unaudited) As at 30 September 2009 HK\$'000	(Audited) As at 31 March 2009 HK\$'000
0 – 30 days	5,113	18,049
31 – 60 days	2,595	1,185
61 – 90 days	4,043	1,501
Over 90 days	22,995	15,551
	<b>34,746</b>	36,286
Allowance for doubtful debts	<b>(16,022)</b>	(16,022)
	<b>18,724</b>	20,264



## 12. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 September 2009 <i>HK\$'000</i>	(Audited) As at 31 March 2009 <i>HK\$'000</i>
Trade payables	9,548	13,254
Other payables and accruals	9,863	13,177
	<b>19,411</b>	26,431

The aged analysis of the Group's trade payables is as follows:

	(Unaudited) As at 30 September 2009 <i>HK\$'000</i>	(Audited) As at 31 March 2009 <i>HK\$'000</i>
0 – 30 days	7,675	12,393
31 – 60 days	382	32
61 – 90 days	579	–
Over 90 days	912	829
	<b>9,548</b>	13,254

### 13. SHARE CAPITAL

	<b>Ordinary shares of HK\$0.004 each</b>	
	<b>(Unaudited) Number of shares</b>	<b>(Unaudited) Nominal value <i>HK\$'000</i></b>
<i>Authorised:</i>		
As at 31 March 2009 (Ordinary shares of HK\$0.001 each)	20,000,000,000	20,000
Share consolidation on 4 May 2009 (Four shares of HK\$0.001 par value into one consolidated share of HK\$0.004 par value ("Share Consolidation"))	(15,000,000,000)	–
Increased in authorized share capital	10,000,000,000	40,000
As at 30 September 2009	15,000,000,000	60,000
<i>Issued and fully paid :</i>		
As at 31 March 2009	8,269,586,000	8,270
Share Consolidation	(6,202,189,500)	–
Issue of share by way of placing	660,000,000	2,640
As at 30 September 2009	2,727,396,500	10,910

#### 14. COMMITMENTS

##### (a) Capital commitments

The group did not have any significant capital commitments as at 30 September 2009.

##### (b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of land and buildings falling due as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	(Audited) As at 31 March 2009 <i>HK\$'000</i>
Within one year	<b>1,221</b>	1,396
In the second to fifth year, inclusive	<b>474</b>	950
	<b>1,695</b>	2,346

#### 15. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to confirm with current period's presentations.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For the six months ended 30 September 2009, the Group recorded a total revenue of approximately HK\$40,168,000, representing a decrease of approximately 62.74% from that of approximately HK\$107,812,000 in the Corresponding Period. The loss attributable to equity holders of the Company for the period under review was approximately HK\$38,417,000 as compared to a loss of approximately HK\$5,785,000 in the Corresponding Period. The decreases in total revenue and profit attributable to equity holders of the Company were mainly attributable to the keen competition in the desktop display card market and the reorganisation in the Gold Mining Division.

### ***Gold Mining Division***

During the period, this business division recorded a turnover of approximately HK\$17.38 million with a gross profit before amortization and depreciation of approximately HK\$10.78 million and a segment profit of approximately HK\$5.41 million.


### ***PC Component Division***

Due to the economic downturn after the global financial turmoil, turnover of this business segment was decreased by 68.03% to approximately HK\$22.79 million. Its segment result dropped by HK\$1.92 million to a loss of approximately HK\$4.17 million.

### **Business Review and Prospect**

Due to the economic downturn after the global financial turmoil, the performance of the PC Component Division had been adversely affected. This together with the need of upgrading the mining and milling facilities and the reorganisation of the corporate and management structure of the Gold Mining Division, the Group record an unaudited consolidated loss of HK\$37.50 million for the six months ended 30 September 2009.

The Board believes that the demand for personal computer products will continue to be significantly depressed as the global economic downturn persists. As such, the Group will scale down the operation of the PC Component Division and streamline it in order to minimize the loss of this division.



Contrary to the PC Component Division, the Board is optimistic about the future of its Gold Mining Division. The Board believes that the upgrading the mining and milling facilities and the reorganisation of the corporate and management structure of the Gold Mining Division (if successfully completed) will in the long run benefit the Group as reflected in the Group's profitability and the performance of the shares of the Company. The Board will closely monitor their development. In addition, subsequent to the outbreak of the global financial turmoil in September 2008, international gold price has picked up an upward trend again since November 2008. Fear of future inflation and ongoing financial uncertainty has also seen investors seek out gold for wealth preservation. Total demand for gold reached 1,743.4 tonnes globally for the first half of 2009. Investment demand for gold remained very strong in the second quarter of 2009, rising 46% on year earlier levels. China proved to be the most resilient of the global jewellery markets. Its jewellery and investment demand for gold rose 6% and 47% respectively on the levels of a year earlier. China has also increased its gold holdings by more than 75% to 1,054 tonnes. These are evidence of the growing recognition of gold's growing prominence in providing stability in the uncertain financial markets as a reserve asset as well as in investment markets. It has been forecasted that the global investment demand for gold this year will exceed 1,500 tonnes or approximately US\$47 billion, in the process carrying the gold price to new peaks in the second half of 2009. As such, the Group will continue to focus on its gold mining business. Apart from adopting the following strategies, the Group will strive for early completion of its existing works of upgrading the mining and milling facilities and the reorganisation of the corporate and management structure of the Gold Mining Division so as to maximize the benefit from the opportunity arising from the present economic downturn:

- enhance the existing production capacity
- building of additional ducts to gold veins of the mines owned by the Group
- continue the efforts in exploration and to increase the Group's resources
- further acquisition of additional exploration and mining rights

The Group has engaged SRK Consulting China Ltd ("SRK"), an independent technical adviser of international repute, which has recently completed a technical review of the results of the exploration program conducted by 712 Geological Brigade of Northwest Bureau of Non-ferrous Geological Exploration which involved drilling of 32 holes with length of approximately 8,700 meters in total in Taizhou Mining's mines in Tongguan County, Shaanxi Province, the People's Republic of China (the "Mines").

According to the report issued by SRK, the gold reserve and resources of the Mines have increased by 6,634 kg. As such, the total gold reserve and resources of the Group has been increased to 41,056 kg, representing an increase of 19.27%.

In addition to furtherance of devotion of its efforts and resources in exploration, the Group will continue to look for new gold investment projects in alliance with its business strategy. The recent transactions as detailed under Material Acquisitions and Disposals represent an important step of the Group to further expand its investments in gold business in the PRC and overseas.

### **Liquidity and Financial Resources**

As at 30 September 2009, the Group had net current asset of approximately HK\$19.15 million, of which approximately HK\$7.69 million was bank balances and cash while current portion of interest-bearing borrowings was approximately HK\$10.31 million.

For the purpose of improving the gearing ratio and the financial position of the Group and in order to alleviate the interest payment and cashflow, and notional interest costs of the Company as the Convertible Bonds will carry interest at a rate of 4% per annum after the second year from the date of their issue, i.e. 30 April 2010, the Directors will contact the holders of the Convertible Bonds to encourage them to exercise the conversion rights attached to the Convertible Bonds before 30 April 2010.

In addition, the Company is in preliminary negotiation with the holders of the promissory notes issued by the Company on 30 April 2008 for the change of such promissory notes into new Shares. If the negotiations are materialized and subject to obtaining all the necessary approvals including approvals from the Shareholders and the GEM Listing Committee of the Stock Exchange, additional new Shares will be issued by the Company which, the Board believes, will have a positive effect on the gearing ratio and the financial position of the Group and alleviate the interest payment and cashflow of the Company.

For the avoidance of doubt, no term has ever been agreed between the Company and the holders thereof. Further announcement shall be made by the Company as and when appropriate.



## Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars and Renminbi. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars or United States dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 September 2009, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

## Material Acquisitions and Disposals

On 7 September 2009, the Company entered into a framework agreement (the "Framework Agreement") with an independent third party to acquire 100% equity interest in a gold development company in the PRC in two stages at a total consideration of HK\$41,250,000 which will be satisfied by (i) HK\$4,800,000 in cash; (ii) HK\$36,450,000 by the issue of 135,000,000 shares of the Company (the "Shares") at an issue price of HK\$0.27 per Share. Details of the Framework Agreement are set out in the announcement of the Company dated 7 September 2009.

On 7 September 2009, the Company also entered into a memorandum of understanding ("MOU") with two vendors in respect of the Company's proposed acquisition of equity interest in Henan Hongnan Mining Company Limited (the "Target Company") by two stages, i.e. the First Acquisition and the Second Acquisition, subject to signing of formal agreements. In the First Acquisition, the Company will acquire from the Vendors 60% equity interest in the Target Company at a consideration of HK\$18.6 million, of which HK\$4.8 million shall be satisfied by cash and the balance by the issuance of 43,125,000 Shares, credited as fully paid, at an issue price of HK\$0.32 per Share by the Company. In the Second Acquisition, the Company will, within 12 months from the completion date of the First Acquisition, acquire from the vendors the remaining 40% equity interest in the Target Company. Details of the MOU are set out in the announcement of the Company dated 7 September 2009.

On 29 October 2009 the Group entered into an agreement with a third party whereby the Group agreed to purchase from the third party 260,000,000 unit of rights ("Rights") at a consideration of A\$650,000 (equivalent to approximately HK\$4.55 million).

The Rights involve 260,000,000 unit of rights for subscription of 260,000,000 new shares ("New Apex Shares") of Apex Minerals NL ("Apex") at a subscription price of A\$0.04 (equivalent to approximately HK\$0.28) per unit of New Apex Share together with 1 free option ("Apex Options") to subscribe for new share of Apex at an exercise price of A\$0.06 (equivalent to approximately HK\$0.2 per share ("Apex Option Shares") for every 10 New Apex Shares subscribed in the rights issue of Apex announced on 25 September 2009 ("Rights Issue").

Upon exercise of the 260,000,000 Rights and the 26,000,000 Apex Options, the Group shall be interested in 286,000,000 shares of Apex ("Apex Shares"), representing approximately 7.97% of the total Apex Shares in issue as enlarged by the issue of the New Apex Shares in the Rights Issue and the Apex Option Shares only.

Apex is a company listed on the Australian Stock Exchange and engaged in mining and production of gold and exploration of mineral resources. According to its 2009 annual report of Apex issued on 23 October 2009, as at 8 October 2009, Apex had gold reserve and resources of approximately 99.53 tonnes. Details of the transaction are set out in the announcement of the Company dated 29 October 2009.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries during the six months ended 30 September 2009.

### **Capital Structure**

The capital of the Company comprises only ordinary shares. Details of movements in the share capital of the Company during the six months ended 30 September 2009 are set out in note 13 to the unaudited condensed consolidated financial statements.

### **Gearing Ratios**

The Group's gearing ratio as at 30 September 2009 decreased to 40.88% from 42.40% as at 31 March 2009. The gearing ratios were calculated on the basis of total liabilities over total assets as at the respective balance sheet dates.

### **Change of the Group's Asset**

As at 30 September 2009, the Group's mining rights were pledged as collaterals for the Group's banking facilities.


## **FUND RAISING EXERCISES**

### **Subscription of New Shares**

On 7 May 2009, a placing of total of 2,640,000,000 new shares of the Company (before Share Consolidation) at HK\$0.025 per share was completed, raising gross and net proceeds of HK\$66 million and approximately HK\$64.71 million respectively. Details of the placing of shares are set out in the Company's circular dated 9 April 2009.

On 29 September 2009, the Company entered into the options subscription agreement with Firstrate Enterprises Limited (the "Grantee") whereby the Company conditionally agreed to grant the options to the Grantee to subscribe for 125,000,000 option shares at the option price of HK\$0.27 per option share. The options shall be exercisable within the period commencing on the date of the grant of the options and ending on twenty-four months after the date of the grant of the options.





If the options are exercised in full, the gross and net proceeds will be HK\$33.75 million and approximately HK\$33.65 million respectively. It is considered that the grant of the options represents an opportunity to raise additional capital for the Company and to strengthen the financial position of the Company.

On 30 September 2009, a resolution was passed by the shareholders of the Company ("Shareholders") at an adjourned extraordinary general meeting approving the subscription of 72,000,000 Shares by Genus Natural Resources Master Fund managed by Baker Steel Capital Managers LLP which was completed on 28 October 2009.

### **Share Capital**

Resolution approving the share consolidation was passed by the Shareholders at an extraordinary general meeting on 4 May 2009, whereby every four existing shares of HK\$0.001 par value each in the issued and unissued share capital of the Company into one consolidated share of HK\$0.004 par value each (the "Consolidated Share") in the issued and unissued share capital of the Company (the "Share Consolidation"). Following the Share Consolidation becoming effective on 4 May 2009, the authorized share capital of the Company has become HK\$20 million divided into 5 billion Consolidated Shares, of which 2,067,396,500 Consolidated Shares were in issue before placing of new shares by the Company as mentioned below. Details of the Share Consolidation are set out in the Company's circular dated 16 April 2009.

Resolution was passed by the Shareholders at an extraordinary general meeting on 30 September 2009 to increase authorized share capital of the Company from HK\$20,000,000 divided into 5,000,000,000 Shares to HK\$60,000,000 divided into 15,000,000,000 Shares. Details of the increase in the authorised share capital are set out in the Company's circular dated 14 September 2009.

### **SHARE OPTION SCHEME**

At an extraordinary general meeting of the shareholders of the Company held on 4 March 2009, the original share option scheme (the "Original Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted. Principal terms of the Original Share Option Scheme were summarised in the paragraph headed "Share Option Scheme" in Appendix 5 to the prospectus issued by the Company on 14 September 2004 whereas the principal terms of the New Share Option Scheme were summarised in circular of the Company dated 16 February 2009. As at 30 September 2009, no option was granted under the Original Share Option Scheme or the New Share Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the Shares, underlying Shares pursuant to the Convertible Bonds ("Underlying Shares") and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long positions in Shares and Underlying Shares of the Company

Name	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Mr. Lee Shing	Interest in a controlled corporation	312,000,000 Shares (Note 1)	11.44%
Mr. Lee Sing Leung, Robin ("Mr. Lee")	Personal interest	430,000 Shares and 353,200,000 Underlying Shares (Note 2)	12.97%

Notes:

- These Shares were held by Yong Li Investments Limited, which is wholly and beneficially owned by Mr. Lee Shing.
- The Underlying Shares were derived from interest of the Convertible Bonds in the principal amount of HK\$211,920,000 owned by Mr. Lee.

Save as disclosed above, as at 30 September 2009, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, Underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISION 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

Name	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Chow Tai Fook Nominee Limited ("CTF")	Beneficial owner Security Interest	106,680,000 Shares and 262,000,000 Shares	13.52%
Dato' Dr. Cheng Yu-Tung, <i>DPMS, LLD(Hon), DBA(Hon), DSSc(Hon)</i> ("Dr. Cheng")	Interest in a controlled corporation	106,680,000 Shares and 262,000,000 Shares ( <i>Note 1</i> )	13.52%
Osborne Pacific Limited ("Osborne")	Beneficial owner	274,980,500 Shares ( <i>Note 2</i> )	10.08%
Mr. Chan Hing Yin ("Mr. Chan")	Interest in a controlled corporation	274,980,500 Shares ( <i>Note 2</i> )	10.08%
Mrs. Chan, Selma	Family interest of controlled corporation	274,980,500 Shares ( <i>Note 3</i> )	10.08%
Mr. Luk Wing Kwong Quintin ("Mr. Luk")	Personal interest	150,000,000 Underlying Shares ( <i>Note 4</i> )	5.50%

*Notes:*

1. These were the same Shares held by CTF, which is wholly and beneficially owned by Dr. Cheng.
2. These Shares were held by Osborne, a company wholly and beneficially owned by Mr. Chan, a former executive Director.
3. These were the same Shares held by Osborne. As Mrs. Chan, Selma is the spouse of Mr. Chan, she is deemed to have interests in the Shares held by Osborne, which is wholly and beneficially owned by Mr. Chan.
4. These Underlying Shares were derived from interest of the Convertible Bonds in the principal amount of HK\$90,000,000 held by Mr. Luk.

Save as disclosed above, as at 30 September 2009, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which were required to be kept under Section 336 of the SFO.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the six months ended 30 September 2009.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices under Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2009.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed that they had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 September 2009.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules.

The Audit Committee provides a link between the Board and the Company's external auditors in matters falling within the scope of the Group's audit, reviews the Company's annual report, half-yearly report and quarterly reports and provides advice and comments thereon to the Board, supervises the financial reporting process and internal control procedures of the Group and, monitors relationship with the Company's external auditors. The Audit Committee comprises three independent non-executive Directors, namely, Dr. Cheung Wai Bun, Charles *J.P.*, Mr. Jiao Zhi and Mr. Orr Joseph Wai Shing, who is the chairman of the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the unaudited consolidated results of the Group for the six months ended 30 September 2009.

By Order of the Board

**Grand T G Gold Holdings Limited**

**Lee Sing Leung, Robin**

*Chief Executive Officer and Executive Director*

Hong Kong, 29 October 2009

*As at the date of this report, the executive directors of the Company are Mr. Lee Shing, Mr. Lee Sing Leung, Robin and Ms. Kwok Tai Pan and the independent non-executive directors of the Company are Mr. Orr Joseph Wai Shing, Mr. Jiao Zhi and Dr. Cheung Wai Bun, Charles J.P.*