



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)



2008

First Quarterly Report



Grand T G  
Gold Holdings Ltd.

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

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*This report, for which the directors of Grand T G Gold Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

1. The Group has recorded an unaudited turnover of approximately HK\$65.42 million for the three months ended 30 June 2008.
2. The Group has recorded an unaudited net profit attributable to equity holders of the Company of approximately HK\$5.07 million for the three months ended 30 June 2008, representing an increase of approximately HK\$3.38 million or approximately 199% over the same period last year.
3. The increase in net profit attributable to equity holders of the Company in the quarter under review was mainly due to the consolidation of the results of the Gold Mining Division with that of the Group since 1 May 2008.
4. During the period from 1 May 2008 to 30 June 2008, the Gold Mining Division recorded a segment profit of approximately HK\$13.32 million.
5. The basic earnings per share of the Company in the quarter under review increased to HK0.12 cent, representing an increase of HK0.07 cent or approximately 140% over the same period last year.

## FINANCIAL RESULTS

The board of directors (the "Board") of Grand T G Gold Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2008, together with the comparative unaudited figures for the three months ended 30 June 2007 (the "Corresponding Period"), as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Three months ended 30 June	
	Note	2008 HK\$'000	2007 HK\$'000
Revenue	3	65,424	88,087
Cost of sales		(45,716)	(82,566)
Gross profit		19,708	5,521
Other income	5	91	447
Selling and distribution expenses		(398)	(425)
Administrative expenses		(5,973)	(3,457)
Operating profit	6	13,428	2,086
Finance costs	7	(4,566)	(281)
Profit before taxation		8,862	1,805
Taxation	8	(51)	(109)
Profit after taxation		8,811	1,696
Less: Minority interest		(3,740)	–
Net profit attributable to equity holders of the Company		5,071	1,696
Dividends	9	–	–
Earnings per share			
Basic	10	HK0.12 cent	HK0.05 cent
Diluted		N/A	N/A

## NOTES TO FINANCIAL STATEMENTS

For the three months ended 30 June 2008

### 1. GENERAL INFORMATION

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

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the three months ended 30 June 2008 have been prepared in accordance with the disclosure requirements of the GEM Listing Rules. The accounting policies adopted in preparing the unaudited condensed consolidated results are consistent with those followed in the annual financial statements for the year ended 31 March 2008 except for the accounting policy on revenue recognition mentioned below.

#### Revenue recognition

Revenue associated with the Gold Mining Division is recognized on the transfer of the significant risks and rewards of ownership, which generally coincides with the delivery of goods.

### 3. REVENUE

Revenues recognized in the periods are as follows:

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Gold Mining Division	25,454	–
PC Component Division	39,970	88,087
Total revenue	65,424	88,087

#### 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)							
	Three months ended 30 June							
	Gold Mining		PC Component		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover for external customers	25,454	–	39,970	88,087	–	–	65,424	88,087
Gross profit	15,543	–	4,165	5,521	–	–	19,708	5,521
Other income	–	–	91	447	–	–	91	447
Operating expenses	(797)	–	(2,287)	(2,532)	(805)	(507)	(3,889)	(3,039)
	14,746	–	1,969	3,436	(805)	(507)	15,910	2,929
Depreciation and amortisation	(1,425)	–	(1,057)	(843)	–	–	(2,482)	(843)
Segment results	13,321	–	912	2,593	(805)	(507)	13,428	2,086
Finance costs							(4,566)	(281)
Profit before taxation							8,862	1,805
Taxation							(51)	(109)
Profit after taxation							8,811	1,696
Minority interest							(3,740)	–
Net profit for the period							5,071	1,696

4. SEGMENTAL INFORMATION (Continued)  
*Secondary reporting format – geographical segments*

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
PRC, excluding Hong Kong and Taiwan	38,088	37,624
Taiwan	18,643	18,307
Hong Kong	796	10,878
Singapore	1,314	2,421
Australia	578	542
Other Asia-Pacific regions	5,382	13,096
Europe	63	1,953
Other regions	560	3,266
	65,424	88,087

5. OTHER INCOME

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interest income	1	1
Gain on disposal of fixed assets	10	–
Sundry income	80	446
	91	447



## 6. OPERATING PROFIT

Operating profit is arrived at after charging the following:

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Cost of inventories sold	45,716	78,961
Amortisation of intangible assets	1,377	–
Amortisation of land lease premium	9	8
Depreciation	1,096	835
Operating lease rentals in respect of land and buildings	324	144
Research and development cost	265	–
Staff costs including directors' emoluments	3,917	3,433

## 7. FINANCE COSTS

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Amortisation of convertible bonds	3,764	–
Interest on bank loans and overdrafts	280	281
Interest on promissory note	522	–
	4,566	281



## 8. TAXATION

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong profits tax	–	(111)
Overseas taxation	(32)	12
	(32)	(99)
Deferred tax credit/(charge)	(19)	(10)
	(51)	(109)

Hong Kong profits tax is calculated at the rate of 17.5% (three months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period.

Overseas taxation represents tax charges on the estimated assessable profits of subsidiaries operating overseas including the PRC, calculated at rates prevailing 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.

The applicable tax rate of Tongguan Taizhou Mining Company Limited is 25% but it has tax loss bought forward so it is not subject to income tax during the period.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2008 (three months ended 30 June 2007: Nil).

## 10. EARNINGS PER SHARE

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

	(Unaudited)	
	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share, being profit attributable to equity holders of the Company	5,071	1,696
Amortisation of convertible bonds	3,764	
Earnings for the purpose of diluted earnings per share	8,835*	
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,339,842,000	3,571,362,000
Effective of dilutive potential ordinary shares: convertible bonds	1,869,150,841	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,208,992,841*	

- \* As the amount of diluted earnings per share will increase when taking into account of the convertible bonds issued by the Company on 30 April 2008 ("Convertible Bonds"), the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period. Therefore, no diluted earnings per share amount is disclosed.

No diluted earnings per share has been presented for the three months ended 30 June 2007 as there were no dilutive potential ordinary shares outstanding.

## 11. MOVEMENT OF RESERVES

	Equity component of											
	Share premium	Exchange reserve	Capital reserve	Convertible Bonds	Revaluation reserve	Statutory surplus reserve	Statutory welfare fund	Statutory general reserve	Retained profits	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
<b>For the three months ended</b>												
<b>30 June 2008 (Unaudited)</b>												
At 1 April 2008	98,045	2,147	13,463	-	10,480	325	162	485	26,686	151,793	-	151,793
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	607	-	-	-	-	-	-	-	607	-	607
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	10,226	10,226
Issue of Convertible Bonds	-	-	-	30,793	-	-	-	-	-	30,793	-	30,793
Issue of shares	205,903	-	-	-	-	-	-	-	-	205,903	-	205,903
Profit for the period	-	-	-	-	-	-	-	-	5,071	5,071	3,740	8,811
At 30 June 2008	303,948	2,754	13,463	30,793	10,480	325	162	485	31,757	394,167	13,966	408,133
<b>For the three months ended</b>												
<b>30 June 2007 (Unaudited)</b>												
At 1 April 2007	18,972	1,294	13,463	-	7,748	325	162	485	39,682	82,131	-	82,131
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	183	-	-	-	-	-	-	-	183	-	183
Profit for the period	-	-	-	-	-	-	-	-	1,696	1,696	-	1,696
At 30 June 2007	18,972	1,477	13,463	-	7,748	325	162	485	41,378	84,010	-	84,010

## 12. CONTINGENT LIABILITIES

As at 30 June 2008, five (as at 30 June 2007: five) employees of the Group have completed the required number of years of services under the Hong Kong Employment Ordinance (the "Employment Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Employment Ordinance.

If the termination of all such employees meets the circumstances as set out in the Employment Ordinance, the Group's liability as at 30 June 2008 would be approximately HK\$249,000 (as at 30 June 2007: HK\$199,000). No provision has been made in this respect.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2008.

## FINANCIAL REVIEW

Total turnover of the Group for the three months ended 30 June 2008 amounted to approximately HK\$65,424,000, representing a decrease of approximately 25.73% from that of approximately HK\$88,087,000 in the Corresponding Period. Despite the decrease in turnover, the Group's overall gross profit margin and net profit attributable to equity holders of the Company increased to approximately 30.12% and HK\$5,071,000 respectively from that of approximately 6.27% and HK\$1,696,000 respectively in the Corresponding Period. The aforesaid improvements in the quarter under review were mainly due to the consolidation of the results of the Gold Mining Division with that of the Group since 1 May 2008.

### Gold Mining Division

During the period from 1 May 2008 to 30 June 2008, this business division recorded a turnover of approximately HK\$25.45 million with a gross profit of approximately HK\$15.54 million and a segment profit of approximately HK\$13.32 million. The gross profit and net profit margins for these two months were approximately 61.06% and 52.33% respectively.

### PC Component Division

Turnover of this business segment decreased by 54.62% to approximately HK\$39.97 million (three months ended 30 June 2007: approximately HK\$88.09 million). Its segment profit dropped by 64.83% to approximately HK\$0.91 million (three months ended 30 June 2007: approximately HK\$2.59 million).

## BUSINESS REVIEW AND PROSPECT

During the period from 1 May 2008 to 30 June 2008, the Gold Mining Division was focused on the sales of gold concentrates and therefore, no sales of mined ore or by-products were recorded. This business strategy together with the increased gold price during the period allowed this business segment to attain a gross profit margin of approximately 61.06%.

The Board noted that the global gold price has recently been affected by the drop in oil price and the strengthening of the United States Dollars. However, in view that global gold mine production over the past few years has been consistently undersupplying the global demand of gold for fabrication and retail investment and the strong demand for gold in the PRC in recent years, the Board believed these factors will continue to support gold prices in the long run.

To cope with the increasing demand of our customers, Group has adopted the following strategies in respect of its Gold Mining Division:

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

## **VERY SUBSTANTIAL ACQUISITION**

On 30 April 2008, the Company completed the acquisition of the entire issued share capital of SSC Mandarin Mining Investment Limited (the "Acquisition") at a consideration of HK\$1,212,000,000 which was satisfied by (i) HK\$60,000,000 in cash; (ii) HK\$207,360,000 by the issue of 1,382,400,000 shares of the Company (the "Shares") at an issue price of HK\$0.15 per Share; (iii) HK\$806,400,000 by the issue of Convertible Bonds; and (iv) HK\$138,240,000 by the issue of promissory notes.

The details of the Acquisition, the Convertible Bonds and the promissory notes were contained in the circular of the Company dated 28 March 2008.

During the period under review, no convertible bonds were converted into Shares. As at the date of this announcement, Convertible Bonds in the principal amount of HK\$145,638,000 has been converted to 970,920,000 Shares at the conversion price of HK\$0.15 per Share.

## **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 July 2008 (the "EGM"), the Company's name was changed from Espco Technology Holdings Limited 易盈科技控股有限公司 to Grand T G Gold Holdings Limited with 大唐潼金控股有限公司 adopted as the Chinese name for identification purpose. This change of company name was approved by the Registrar of Companies in the Cayman Islands on 10 July 2008 and the Registrar of Companies in Hong Kong on 6 August 2008.

## **SUBSCRIPTION AGREEMENTS WITH CHOW TAI FOOK NOMINEE LIMITED**

The Company had entered into a letter of intent dated 26 June 2008 as well as a share subscription agreement (the "Share Subscription Agreement") and an options subscription agreement (the "Options Subscription Agreement"), both dated 3 July 2008, with Chow Tai Fook Nominee Limited ("CTF"), a company beneficially owned by Dr. Cheng Yu-tung. The Share Subscription Agreement was completed on 29 July 2008 and a total of 58,000,000 Shares were issued to CTF at a price of HK\$0.27 per Share.

The annual general meeting of the Company will be held on 25 August 2008 to approve the Options Subscription Agreement pursuant to which, options to subscribe for a maximum of 500,000,000 Shares at a price of HK\$0.27 per Share was proposed to be granted to CTF.

## **SHARE OPTION SCHEME**

Pursuant to the written resolutions of the sole shareholder of the Company dated 6 September 2004, the Company has adopted the share option scheme (the "Share Option Scheme") whereby share options to subscribe for Shares may be granted subject to and at the terms and conditions stipulated therein. Principal terms of the Share Option Scheme were summarised in the paragraph headed "Share Option Scheme" in Appendix 5 to the prospectus of the Company dated 14 September 2004. At the EGM, a resolution was passed to refresh the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme to 525,376,200 Shares. As at 30 June 2008, no share option was granted under the Share Option Scheme.

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

As at 30 June 2008, 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 of Director	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Mr. Chan Hing Yin ("Mr. Chan")	Interest in a controlled corporation	2,299,922,000 Shares (Note 1)	40.68%
Mr. Lee Sing Leung, Robin ("Mr. Lee")	Personal interest	414,720,000 Shares and 1,612,800,000 Underlying Shares (Note 2)	
	Interest in controlled corporations	317,952,000 Shares and 1,236,480,000 Underlying Shares (Note 3)	
<i>Subtotal</i>		732,672,000 Shares and 2,849,280,000 Underlying Shares	68.17%
Mr. Leung Heung Ying, Alvin ("Mr. Leung")	Interest in a controlled corporation	276,480,000 Shares and 1,075,200,000 Underlying Shares (Note 4)	25.73%

Notes:

- (1) These Shares are held by Osborne Pacific Limited ("Osborne") which is wholly and beneficially owned by Mr. Chan.
- (2) The Underlying Shares are derived from interest of the Convertible Bonds in the principal amount of HK\$241,920,000 owned by Mr. Lee.
- (3) These Shares and Underlying Shares are held by Mr. Lee via Rubion International Limited ("Rubion") and Harreld International Limited ("Harreld"). Rubion is wholly and beneficially owned by Mr. Lee whereas Harreld is owned as to 27% and controlled by Mr. Lee. Rubion and Harreld were holders of the Convertible Bonds in the principle amount of HK\$80,640,000 and HK\$104,832,000 respectively. The respective interest in Shares and Underlying Shares of Rubion and Harreld are set out in the section "Persons who have an interest or short position which is discloseable under divisions 2 and 3 of part XV of the SFO and substantial shareholding" below.
- (4) These Shares and Underlying Shares are held by J. Thomson Asset Investment Limited ("J. Thomson") which is wholly and beneficially owned by Mr. Leung. The Underlying Shares are derived from the interest of the Convertible Bonds in the principle amount of HK\$161,280,000 owned by J. Thomson.
- (5) The Convertible Bonds are convertible to new Shares at a price of HK\$0.15 per Share and are exercisable during the period from 30 April 2008 to 16 April 2013.

Save as disclosed above, as at 30 June 2008, 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 DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 30 June 2008, the following person (other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures" above) had an interest or short position in the Shares or Underlying Shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

Name of shareholder	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Osborne	Beneficial owner	2,299,922,000 Shares (Note 1)	40.68%
Mrs. Chan, Selma	Family interest of controlled corporation	2,299,922,000 Shares (Note 2)	40.68%
Harreld	Beneficial owner	179,712,000 Shares and 698,880,000 Underlying Shares (Note 3)	16.72%
Rubion	Beneficial owner	138,240,000 Shares and 537,600,000 Underlying Shares (Note 4)	12.86%

Name of shareholder	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
J. Thomson	Beneficial owner	276,480,000 Shares and 1,075,200,000 Underlying Shares (Note 5)	25.73%
Mr. Lai Wing Hung ("Mr. Lai")	Interest in a controlled corporation	90,768,000 Shares and 376,320,000 Underlying Shares (Note 6)	8.89%
Kudos Group Limited ("Kudos")	Beneficial owner	90,768,000 Shares and 376,320,000 Underlying Shares (Note 6)	8.89%

Notes:

1. These Shares are held by Osborne which is wholly and beneficially owned by Mr. Chan.
2. 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.
3. These Shares and Underlying Shares are held by Harreld. Harreld is owned as to 27% and controlled by Mr. Lee.
4. These Shares and Underlying Shares are held by Rubion which is wholly and beneficially owned by Mr. Lee.
5. These Shares and Underlying Shares are held by J. Thomson which is wholly and beneficially owned by Mr. Leung.
6. These Shares and Underlying Shares are held by Kudos which is wholly and beneficially owned by Mr. Lai.

Save as disclosed above, as at 30 June 2008, 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 period under review.

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

The Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the three months ended 30 June 2008.

## **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, Ms. Chan Yi Man, Magdalen, Mr. Wong Ka Hung, Frederic and Mr. Cheung Wing Ping, 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 condensed financial statements for the three months ended 30 June 2008. The Audit Committee had not identified any disagreement between the required accounting standards and the accounting treatments adopted in the preparation of the Group's quarterly report for the three months ended 30 June 2008.

By order of the Board

**Grand T G Gold Holdings Limited**  
**Lee Sing Leung, Robin**

*Vice-Chairman & Chief Executive Officer*

Hong Kong, 12 August 2008

*As at the date of this report, the executive directors of the Company are Mr. Chan Hing Yin, Mr. Lee Sing Leung, Robin, Mr. Leung Heung Ying, Alvin, and Mr. Chan Hing Kai, and the independent non-executive directors of the Company are Ms. Chan Yi Man, Magdalen, Mr. Cheung Wing Ping, Mr. Wong Ka Hung, Frederic and Mr. Pieter van Aswegen.*