



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)

INTERIM REPORT 2012

* *For identification purpose only*

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the “**Directors**” or individually a “**Director**”) of Grand T G Gold Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the website of the Company at <http://www.aplushk.com/clients/8299GrandTG/>.

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 September 2012, together with the unaudited comparative figures for the corresponding periods in previous year as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	4	-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Other losses		(3)	-	(125)	(1)
Selling and distribution expenses		(1,607)	(12)	(2,404)	(380)
Administrative expenses		(13,016)	(12,057)	(32,400)	(21,420)
Operating results		(14,626)	(12,069)	(34,929)	(21,801)
Finance costs	5	(8,245)	(4,794)	(15,490)	(9,271)
Loss before tax	6	(22,871)	(16,863)	(50,419)	(31,072)
Income tax credit	7	-	-	-	-
Loss for the period		(22,871)	(16,863)	(50,419)	(31,072)
Loss for the period attributable to:					
Equity holders of the Company		(19,054)	(14,759)	(43,607)	(26,849)
Non-controlling interest		(3,817)	(2,104)	(6,812)	(4,223)
		(22,871)	(16,863)	(50,419)	(31,072)
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Loss per share					
Basic	9	(0.14)	(0.11)	(0.32)	(0.20)
Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	(Unaudited)		(Unaudited)	
	Three months ended 30 September		Six months ended 30 September	
Notes	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(22,871)	(16,863)	(50,419)	(31,072)
Other comprehensive income for the year:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising from translation of financial statements of overseas subsidiaries	6,495	3,878	221	7,942
Fair value change and reclassification to profit or loss in regard of available for sale investment	5,592	5,754	17,886	3,690
	12,087	9,632	18,107	11,632
Total comprehensive loss for the period	(10,784)	(7,231)	(32,312)	(19,440)
Total comprehensive loss attributable to:				
Equity holders of the Company	(7,020)	(5,243)	(25,581)	(15,257)
Non-controlling interest	(3,764)	(1,988)	(6,731)	(4,183)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		(Unaudited) 30 September 2012 <i>HK\$'000</i>	(Audited) 31 March 2012 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		421,731	385,017
Prepaid land lease premium		1,235	1,233
Mining rights related assets		51,595	51,547
Construction in progress		1,811	1,794
Available-for-sale financial assets		20	1,243
		<u>476,392</u>	<u>440,834</u>
CURRENT ASSETS			
Inventories		75,391	52,554
Other receivables, prepayments	10	32,258	43,342
Cash and cash equivalents		490	1,452
		<u>108,139</u>	<u>97,348</u>
CURRENT LIABILITIES			
Trade and other payables	11	45,739	71,239
Deferred income		37	654
Promissory notes		12,500	12,500
Tax payables		128	128
Interest-bearing borrowings		28,451	20,873
Convertible bonds		16,719	–
		<u>103,574</u>	<u>105,394</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,565</u>	<u>(8,046)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		480,957	432,788
NON-CURRENT LIABILITIES			
Convertible bonds		–	15,897
Long term loans		331,126	234,746
		<u>331,126</u>	<u>250,643</u>
NET ASSETS		<u>149,831</u>	<u>182,145</u>
CAPITAL AND RESERVES			
Share capital		53,794	53,794
Reserves		94,380	119,964
		<u>148,174</u>	<u>173,758</u>
Equity attributable to equity holders of the Company		148,174	173,758
Non-controlling interest		1,657	8,387
TOTAL EQUITY		<u>149,831</u>	<u>182,145</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to equity holders of the Company								Non-controlling interest	Total
	Issued share capital	Share premium	Foreign currency translation reserve	Share option reserve	Convertible bonds reserve	Revaluation reserve	Retained profit/(Accumulated losses)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	53,794	1,690,765	21,621	26,703	5,036	(25,159)	(1,599,002)	173,758	8,387	182,145
Net loss for the period	-	-	-	-	-	-	(43,610)	(43,610)	(6,811)	(50,421)
Other comprehensive income:										
Exchange differences arising from translation of financial statement of overseas subsidiaries	-	-	140	-	-	-	-	140	81	221
Fair value change and reclassification to profit or loss in regard of available for sale investment	-	-	-	-	-	17,886	-	17,886	-	17,886
Total comprehensive income for the period	-	-	140	-	-	17,886	(43,610)	25,584	(6,730)	(32,314)
At 30 September 2012	53,794	1,690,765	21,762	26,703	5,036	(7,273)	(1,642,612)	148,175	1,656	149,831

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to equity holders of the Company								Non-controlling interest	Total
	Issued share capital	Share premium	Foreign currency translation reserve	Share option reserve	Convertible bonds reserve	Revaluation reserve	Retained profit/(Accumulated losses)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	53,794	1,690,765	11,946	26,703	5,036	(28,227)	(1,544,032)	215,985	17,628	233,613
Net loss for the period	-	-	-	-	-	-	(26,852)	(26,852)	(4,223)	(31,075)
Other comprehensive income:										
Exchange differences arising from translation of financial statement of overseas subsidiaries	-	-	7,902	-	-	-	-	7,902	40	7,942
Fair value change and reclassification to profit or loss in regard of available for sale investment	-	-	-	-	-	3,690	-	3,690	-	3,690
Total comprehensive income for the period	-	-	7,902	-	-	3,690	(26,852)	(15,260)	(4,183)	(19,443)
At 30 September 2011	53,794	1,690,765	19,848	26,703	5,036	(24,537)	(1,570,884)	200,725	13,444	214,169

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six Months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(64,860)	(11,934)
Net cash used in investing activities	(28,057)	(2,036)
Net cash generated from financing activities	<u>89,290</u>	<u>4,777</u>
Net decrease in cash and cash equivalents	(3,627)	(9,193)
Cash and cash equivalents at beginning of the period	1,452	1,933
Effect of foreign exchange rate changes	<u>2,665</u>	<u>7,938</u>
Cash and cash equivalents at end of the period	<u><u>490</u></u>	<u><u>678</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>490</u></u>	<u><u>678</u></u>

NOTES:

1. CORPORATE INFORMATION

Grand T G Gold Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business in Hong Kong is Room 2410, 24/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding. Its subsidiaries (together with the Company collectively referred to as the “**Group**” hereinafter) are principally engaged in gold exploration, mining and mineral processing.

The financial statements are presented in Hong Kong dollars (“**HK\$**”), and the functional currency of the Company is HK\$, with values rounded to the nearest thousand.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2012 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 (the “**HKICPA**”) and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012 (“**2012 Annual Report**”). The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2012 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 September 2012.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments which are carried at fair value.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

The Group had two operating segments for the six months ended 30 September 2012, namely Gold Mining Division and Corporate Division.

Segment results do not include finance costs. Segment assets and liabilities are allocated based on the operations of the segments.

Segment information by operating segments is presented as follows:

Six months ended 30 September 2012

	Gold Mining HK\$'000	Corporate HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:				
Turnover for external customers	—	—	—	—
Gross profit	—	—	—	—
Other losses	(125)	—	—	(125)
Operating expenses	(8,983)	(25,708)	—	(34,691)
Depreciation and amortisation*	(113)	—	—	(113)
Segment results	(9,221)	(25,708)	—	(34,929)
Finance costs	(15,041)	(449)	—	(15,490)
Loss before tax	(24,262)	(26,157)	—	(50,419)
Income tax expense	—	—	—	—
Net loss for the period	<u>(24,262)</u>	<u>(26,157)</u>	<u>—</u>	<u>(50,419)</u>
Segment assets	<u>583,099</u>	<u>1,790,279</u>	<u>(1,788,847)</u>	<u>584,531</u>
Segment liabilities	<u>608,592</u>	<u>192,754</u>	<u>(349,927)</u>	<u>434,700</u>
Capital expenditure	<u>43,950</u>	—	—	<u>43,950</u>
Depreciation and amortisation**	<u>7,939</u>	—	—	<u>7,939</u>

	Gold Mining HK\$'000	Corporate HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:				
Turnover for external customers	—	—	—	—
Gross profit	—	—	—	—
Other income/(losses)	(1)	—	—	(1)
Operating expenses	(5,354)	(14,851)	(1,435)	(21,640)
Depreciation and amortisation*	(160)	—	—	(160)
Segment results	(5,515)	(14,851)	(1,435)	(21,801)
Finance costs	(9,054)	(217)	—	(9,271)
Loss before tax	(14,569)	(15,068)	(1,435)	(31,072)
Income tax credit/(expense)	—	—	—	—
Net profit/(loss) for the period	<u>(14,569)</u>	<u>(15,068)</u>	<u>(1,435)</u>	<u>(31,072)</u>
Segment assets	<u>439,629</u>	<u>1,796,746</u>	<u>(1,787,275)</u>	<u>449,982</u>
Segment liabilities	<u>405,814</u>	<u>175,736</u>	<u>(346,618)</u>	<u>235,814</u>
Capital expenditure	<u>14</u>	<u>—</u>	<u>—</u>	<u>14</u>
Depreciation and amortisation**	<u>6,671</u>	<u>—</u>	<u>—</u>	<u>6,671</u>

* Represents depreciation and amortisation included in administrative expenses.

** Represents total depreciation and amortisation of the Group.

Geographical segments

The Group's operations are located in Hong Kong and other parts of the People's Republic of China ("PRC") whereas the principal markets for the Group's products are mainly located in Hong Kong and other parts of the PRC.

Segment information by geographical segments is presented as follows:

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	476,353	378,199
Hong Kong	39	5,609
	<u>476,392</u>	<u>383,808</u>

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges where applicable, and the value of services rendered:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sale of goods	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank borrowing	401	414
Interest and amortisation on convertible bonds	-	-
Interest on short term loans	527	217
Interest on long term loans	14,562	8,640
Finance costs	<u>15,490</u>	<u>9,271</u>

The weighted average capitalisation rate on funds borrowed generally is 12.12% per annum (2011: 2% per annum).

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging the following:

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Auditors' remuneration	250	250	500	500
Amortisation of intangible assets	–	–	–	–
Depreciation*	4,169	3,359	7,939	6,671
Operating lease rentals in respect of land and buildings	131	291	422	585
Staff costs including directors' emoluments:				
Salaries, wages, allowances and benefits in kind	2,925	2,827	5,997	5,375
Retirement benefits scheme contributions	23	25	45	48
Staff costs	2,948	2,852	6,042	5,423

* HK\$112,630 (2011: HK\$160,338) are included in administrative expenses.

7. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Current tax-overseas				
Provision for the period	–	–	–	–
Income tax expense	–	–	–	–

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit for the period (2011: 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.

8. DIVIDEND

No dividend has been paid or proposed by the Company for the six months ended 30 September 2012 and 2011.

9. LOSSES PER SHARE

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

Basic

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to the equity holders of the Company	(19,054)	(14,159)	(43,607)	(26,849)
Weighted average number of ordinary shares in issue	13,448,488,271	13,448,488,271	13,448,488,271	13,448,488,271
Basic losses per share (<i>HK cents</i>)	<u>(0.14)</u>	<u>(0.11)</u>	<u>(0.32)</u>	<u>(0.20)</u>

Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise/conversion of all dilutive potential ordinary shares. The Company has 2 category of dilutive potential ordinary shares: share options and convertible bonds.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the share options.

For the convertible bonds, they are assumed to have been converted into ordinary shares, and the loss attributable to the equity holders of the Company is adjusted to eliminate the interest expenses of the convertible bonds.

The computation of diluted losses per share for the six months ended 30 September 2012 and 2011 did not assume the exercise of the Company's outstanding share options since the Company's shares were suspended in trading and there is no market price for the shares.

The computation of losses per share for the six months ended 30 September 2012 and 2011 did not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in a decrease in loss per share.

10. OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) At 30 September 2012 <i>HK\$'000</i>	(Audited) At 31 March 2012 <i>HK\$'000</i>
Other receivables, deposits and prepayments	<u>32,258</u>	<u>43,342</u>
	<u>32,258</u>	<u>43,342</u>

An analysis of other receivables, deposits and prepayments are as follows:

	(Unaudited) At 30 September 2012 <i>HK\$'000</i>	(Audited) At 31 March 2012 <i>HK\$'000</i>
Prepayment for the intended ore refinery	28,913	28,913
Others	<u>3,345</u>	<u>14,429</u>
	<u>32,258</u>	<u>43,342</u>

The fair values of other receivables approximate their carrying amounts.

11. TRADE AND OTHER PAYABLES

	(Unaudited) At 30 September 2012 <i>HK\$'000</i>	(Audited) At 31 March 2012 <i>HK\$'000</i>
Trade payables	2,555	8,954
Other payables and accruals	<u>43,184</u>	<u>62,285</u>
	<u>45,739</u>	<u>71,239</u>

As of the end of the reporting period, the ageing analysis of trade payables based on the demand note date, is as follows

	(Unaudited) At 30 September 2012 <i>HK\$'000</i>	(Audited) At 31 March 2012 <i>HK\$'000</i>
0-30 days	–	–
31-60 days	–	–
61-90 days	–	–
Over 90 days	<u>2,555</u>	<u>8,954</u>
	<u>2,555</u>	<u>8,954</u>

12. BORROWINGS

	(Unaudited) At 30 September 2012 <i>HK\$'000</i>	(Audited) At 31 March 2012 <i>HK\$'000</i>
Bank borrowings	10,469	10,953
Short-term loans	17,982	9,920
Long-term loans	<u>331,126</u>	<u>234,746</u>
	<u>359,577</u>	<u>255,619</u>

The Group's interest-bearing loans were repayable as follows:

Amount due within one year included in current liabilities	28,451	20,873
Amount due after one year	331,126	234,746

The bank borrowings bear interest at prevailing rates and secured by the mining right owned by the Group and the interest rate is 7.49% (2011: 7.49%).

The short-term loan is unsecured and the interest rate is 5% (2011: 5%) per annum.

The long term loans are secured by the inventories of Taizhou Mining and the interest rate is nil to 24% (2011: nil to 24%).

The above borrowings are carried at amortised cost and the carrying amounts of interest-bearing borrowings approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

The principal activity of the Company is investment holding. Its subsidiaries (together with the Company collectively referred to as the “**Group**” hereinafter) are principally engaged in gold exploration, mining and mineral processing with gold concentrate as its product.

For the six months ended 30 September 2012, the Group continued the business model of previous years, i.e. obtaining asset backing finance from financier with its inventories pledged as collaterals for its development. As such, the Group recorded no revenue for the six months ended 30 September 2012 (30 September 2011: nil). Respective state of affairs of the Group is set out in the unaudited condensed consolidated financial statements on pages 2 to 12 of this report.

Consolidated loss of the Company amounted to approximately HK\$50.4 million for the six months ended 30 September 2012 (30 September 2011: approximately HK\$31.1 million). Basic losses per share was approximately HK cents 0.32 for the six months ended 30 September 2012 (30 September 2011: loss of HK cents 0.20). There will be no payment of dividend for the six months ended 30 September 2012 (30 September 2011: nil).

Liquidity, financial resources and funding

As at 30 September 2012, the Group had cash and cash equivalents and net current assets amounted to approximately HK\$0.5 million and approximately HK\$4.6 million respectively whereas inventories of the Group amounted to approximately HK\$7.5 million.

As at 30 September 2012, the current ratio is 1.24 (30 September 2011: 1.35).

As at 30 September 2012, the Group’s gearing ratio was approximately 61.5% (30 September 2011: 21.5%), calculated based on total borrowings over total assets.

Charge on the Group’s assets

As at 30 September 2012, the Group’s bank borrowings were secured by the mining right owned by the Group whereas its long term loans were secured by the inventories of the Group’s operating subsidiary, Tongguan Taizhou Mining Company Limited (“**Taizhou Mining**”).

Exposure to exchange risks

Since the Group’s borrowings and its source of income are primarily denominated in the respective group companies functional currency which are mainly in Hong Kong dollars or Renminbi, the exposure to foreign exchange rate fluctuations is minimal.

Significant investment, material acquisition and disposal

The Group did not have any significant investment, material acquisition and disposal throughout the review period.

Related party transactions with connected person(s)

The loans from Ms. Zhao Yuebing, a director of Taizhou Mining and thus a connected person of the Group, to Taizhou Mining were fully exempted connected transactions pursuant to Chapter 20 of the GEM Listing Rules as these were conducted on normal commercial terms or better and were not secured by the assets of the Group.

The New Board (as defined below) makes no representation on the compliance of the GEM Listing Rules in relation to the related party transactions between the Former Director(s) (as defined below) and the Group during the six months ended 31 March 2012.

Employees and remuneration policies

As at 30 September 2012, the Group had 126 employees (30 September 2011: 124) situated mainly in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the six months ended 30 September 2012, the total staff costs (including directors' emoluments) amounted to approximately HK\$6.0 million (30 September 2011: HK\$5.4 million). During the six months ended 30 September 2012, no share option had been granted by the Company. Details of employees' remuneration are set out in note 6 of this report.

MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

Mineral Exploration and Mine Development

During the period under review, Taizhou Mining mainly completed certain mining development projects, including the excavation of approximately 10,424 meters of various tunnels, excavation of approximately 834 meters of slope supporting, excavation of approximately 1,251 meters of ore chute as well as excavation of approximately 3,127 meters for track laying and ditches.

During the period under review, the Group's total expenditure for the mineral exploration and mine development and construction amounted to approximately HK\$44.3 million.

Ore Mining

During the period under review, the aggregate expenditure on the ore mining operation of the Group was approximately HK\$10.1 million.

MATERIAL CHANGE IN THE MANAGEMENT TEAM OF THE COMPANY

There had been material changes in the management team of the Company as follows:

- (a) (i) the offices of Mr. Chan Yeuk Sen and Mr. Guo Jian Jun as Directors were vacated in accordance with the articles of association of the Company with effect from the close of the board meeting held on 9 November 2012 as they had been absent from meetings of the Board for more than six consecutive months and no alternate Director has attended in their places; (ii) all but one members of the old Board resigned as of 23 March 2016, namely Mr. Lee Shing, Ms. Kwok Tai Pan, Dr. Cheung Wai Pun Charles JP and Mr. Jiao Zhi ((i) and (ii) are hereinafter collectively, the “**Former Directors**”). Save and except for Mr. Orr Joseph Wai Shing (“**Mr. Orr**”) who is an existing independent non-executive Director since 22 December 2008 and were/are not involved in the daily management and operation of the Group, all of the existing Directors (the “**New Board**”) only came into place from late February to late April 2016; and
- (b) Mr. Ng Wai Kee, the Company’s Company Secretary since 1 July 2012, resigned with effect from 5 April 2016. Ms. Lam Yuen Ling Eva has been appointed as the Company Secretary of the Company with effect from 6 April 2016.

POST BALANCE SHEET EVENTS

(i) **Conditional Approval of the Listing Appeals Committee on the Company’s Resumption for Trading**

Trading in the shares of the Company (“**Shares**”) has been suspended since 11 November 2010.

On 4 June 2015, the GEM Listing Committee decided to proceed with the cancellation of the listing of the Shares and the Company was required to submit a resumption proposal by 4 December 2015.

On 15 January 2015, the GEM Listing Committee decided that the resumption proposal submitted by the Company on 4 December 2015 was not viable and decided to cancel the listing of the Shares (the “**Listing Decision**”).

Notwithstanding the review application made by the Company in January 2016, on 8 April 2016, the Company was informed that the GEM Listing (Review) Committee decided that the resumption proposal submitted by the Company in March 2016 was not viable and thus uphold the Listing Decision.

The New Board appointed Proton Capital Limited as the sole financial adviser of the Company in respect of the Company’s resumption and on 15 September 2016, the Company submitted a revised resumption proposal (“**Resumption Proposal**”) to the Listing Appeals Committee.

Following the review hearing held on 9 December 2016, the Listing Appeals Committee decided to accept the Resumption Proposal, subject to the Company’s compliance with the conditions (“**Conditions**”) as summarised below to the satisfaction of the Listing Department by 14 March 2017:

1. publication of audited consolidated financial statements for all the outstanding financial results of the Group with no material audit qualifications indicating questions with respect to the consolidation of the results of Taizhou Mining;
2. resolution of any audit qualification issues;

3. providing a working capital forecast with: (a) all principal assumptions (including appropriate sensitivity analysis relating to gold and RMB movements) for at least twelve months from the expected trading resumption date; (b) a comfort letter from the auditors or financial advisers confirming that they are satisfied that the working capital forecast of the Group has been made by the Directors after due and careful enquiry; (c) assurance to the satisfaction of the Listing Department that any equity financing including the open offer (the “**Open Offer**”) will be completed; and
4. conduct a follow up review by a professional party to demonstrate to the satisfaction of the Listing Department, all material weaknesses identified have been rectified and that the Group has in place an adequate and effective financial reporting procedures and internal control systems.

The Listing Appeals Committee also stated in its letter that resumption of trading in the Company’s securities should be within a reasonably short period of time after compliance with the Conditions.

(ii) Publication of all outstanding audited consolidated financial statements

On 16 February 2017, the Company published the audited consolidated financial statements for all the outstanding financial results of the Group, i.e. for the years ended 31 March 2011, 2012, 2013, 2014, 2015 and 2016, with no material audit qualifications indicating questions with respect to the consolidation of the results of Taizhou Mining.

(iii) Open Offer of the Company

On 24 February 2017, the Company entered into an underwriting agreement with two underwriters. As disclosed in the announcement of the Company dated 24 February 2017, the Company proposes to conduct the Open Offer to raise approximately HK\$134.48 million before expenses by issuing 6,724,244,135 offer shares on the basis of one offer share for every two existing Shares held on the record date to the qualifying shareholders at the subscription price of HK\$0.02 per offer share.

The Company intends that the estimated net proceeds from the Open Offer of approximately HK\$131 million will be used (i) as to approximately HK\$88 million for repayment of the Company’s debts; and (ii) as to approximately HK\$43 million as general working capital of the Group. As such, upon completion of the open offer, the Company will have sufficient fund to settle all Company outstanding and confirmed debts including the outstanding bond and those claimed in the winding up petitions in Hong Kong as well as the Cayman Islands.

The net assets position of the Company will also be strengthened substantially upon completion of the Open Offer.

(iv) Full repayment of bank borrowings and release of security over the Group’s mining rights

In mid-2016, the Group fully repaid its bank borrowings and thus, the security over the Group’s mining rights has been released.

(v) **Litigation instituted by Mr. Lau Kin, a purported creditor, in the Cayman Islands**

The Company had been served with a winding-up petition by Mr. Lau Kin, a purported creditor of the Company to the Grand Court of the Cayman Islands against the Company. The petitioning debt stated in the winding-up petition is an alleged sum due to Mr. Lau Kin by the Company of HK\$19,494,230.43, comprising HK\$16,882,000.00 principal and interest of HK\$2,612,230.43 as of 3 May 2016 (the “**Lau Kin Claim**”). Mr. Lau Kin seeks an order for the appointment of joint official liquidators to the Company.

Mr. Lau Kin alleged that by a deed of assignment made between Dragon Hill Development Limited (“**Dragon Hill**”) and him dated 3 May 2016, Dragon Hill assigned to him a purported debt of the Company in the amount of HK\$19,494,230.43 at a consideration of HK\$2 million only.

The Company considers the validity of the Lau Kin Claim is in question and is investigating into and seeking legal advice in relation thereto. If the Lau Kin Claim is indeed found to be valid, the Lau Kin Claim will be fully settled from the net proceeds of the Open Offer.

With agreement of all parties involved, hearing date of the Grand Court of the Cayman Islands for the aforesaid litigation shall be further adjourned with a hearing to be held on the first available date after 14 March 2017 (Cayman time).

(vi) **Litigation instituted by Mr. Lee Shing, a purported creditor, in Hong Kong**

The Company has recently been served with a petition for the winding-up of the Company by Mr. Lee Shing (a former executive director, ex-Chairman, an existing substantial shareholder of the Company) to the High Court, Hong Kong Special Administrative Region under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) (the “**Lee Shing Petition**”).

Mr. Lee Shing alleged in the Lee Shing Petition that the Company is indebted to him in the sum of HK\$18,223,125.50 (the “**Alleged Indebtedness**”), comprising (i) a purported loan of HK\$6,925,000.00 assigned by a former Director to Mr. Lee Shing on 12 April 2010; (ii) a loan purportedly provided by Mr. Lee Shing plus interest calculated up to 30 August 2016 of HK\$7,019,020.50 in aggregate; and (iii) director’s emoluments and reimbursements of HK\$4,279,105.00 in aggregate.

Before the presentation of the Lee Shing Petition by Mr. Lee Shing, the Company had been in the course of requesting relevant documents and supportings from Mr. Lee Shing so as to substantiate and verify the Alleged Indebtedness. Although Mr. Lee Shing’s legal adviser has indicated his client’s intention to provide, the Company has never received any of the requested documents up to the date of this report.

The first hearing date of the Lee Shing Petition has been scheduled to take place on 15 March 2017 in the High Court, Hong Kong Special Administrative Region. For the avoidance of doubt, 15 March 2017 is not a winding up date of the Company. According to the legal advice obtained by the Company, the hearing of 15 March 2017 is an endorsed hearing whereby a Master would check whether all procedural matters have been complied with and ascertain whether the Company or any other person would oppose to the Lee Shing Petition. If the Company opposes to the Lee Shing Petition at the hearing to be held on 15 March 2017, the case would be adjourned before a High Court Judge for his/her directions as to filing of evidence and other court documents.

The Company is seeking legal advice and endeavor to vigorously oppose the Lee Shing Petition. In light of the conditional approval to the Resumption Proposal from the Listing Appeals Committee as detailed in the Company's announcement dated 19 December 2016, the Company is implementing the Resumption Proposal whereby a fund raising plan will be conducted to fully settle, among others, the Alleged Indebtedness if verified.

PROSPECT

In view of the conditional approval for resumption of trading granted by the Listing Appeals Committee, the New Board is intensifying its effort to implement the Resumption Proposal, which include the Open Offer, debt capitalisation, debt settlement and release of all outstanding financial results, so as to fulfill the Conditions as soon as possible for resumption in trading of the shares of the Company.

OTHER INFORMATION

1. Directors' Interest in Competing Business

Due to the material change as stated in the section headed "Material Change in the Management Team of the Company", the New Board cannot make any representation on whether any of the Former Directors or their respective associates (as defined in GEM Listing Rules) have any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

Mr. Orr has confirmed that he and his associates (as defined in GEM Listing Rules) did not have any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

2. Audit Committee

The Company established the audit committee with written terms of reference that sets out the authorities and duties of the committee.

Members of the Audit Committee during the six months ended 30 September 2012 included three independent non-executive Directors, namely Mr. Orr (Chairman), Dr. Cheung Wai Bun, Charles JP and Mr. Jiao Zhi.

The current Audit Committee comprises three independent non-executive directors, namely Mr. Jiang Quanming, Mr. Orr and Mr. Guo Wei and Mr. Jiang Quanming is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's auditors and provide advice and comments to the Board.

The current Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2012.

3. Remuneration Committee

The Company established the Remuneration Committee with written terms of reference that sets out the authorities and duties of the committee.

Members of the Remuneration Committee during the six months ended 30 September 2012 included three independent non-executive Directors, namely Dr. Cheung Wai Bun, Charles JP (Chairman), Mr. Orr and Mr. Jiao Zhi.

The current Remuneration Committee comprised one non-executive director and three independent non-executive directors, namely Ms. Ma Xiaona, Mr. Jiang Quanming, Mr. Orr and Mr. Guo Wei. Mr. Jiang Quanming is the chairman of the Remuneration Committee.

4. Nomination Committee

The Company established a Nomination Committee with written terms of reference that set out the authorities and duties of the committee.

Members of the Nomination Committee during the six months ended 30 September 2012 included three independent non-executive Directors, namely Dr. Cheung Wai Bun, Charles JP (Chairman), Mr. Orr and Mr. Jiao Zhi.

The current Nomination Committee comprises four members, namely Mr. Feng Jun, Mr. Jiang Quanming, Mr. Orr Joseph Wai Shing and Mr. Guo Wei. Mr. Orr is the chairman of the Nomination Committee.

5. Purchase, Sale or Redemption of Listed Securities

During the period ended 30 September 2012, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities.

6. Code of conduct regarding securities transactions by Directors

Due to the material change as stated in the section headed “Material Change in the Management Team of the Company”, the New Board cannot make any representation to the compliance of the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules by the Former Directors in the six months ended 30 September 2012.

Having made specific enquiry, Mr. Orr confirmed that he had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 September 2012.

7. Code on Corporate Governance

Due to the material change as stated in the section headed “Material Change in the Management Team of the Company”, the New Board cannot make any representation about the adoption and/or compliance of the principles and the applicable provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 15 to the GEM Listing Rules by the Company and/or the Former Directors for the period during the six months ended 30 September 2012, however, based on the information available to the New Board, the Company had the following deviations from the Code during the six months ended 30 September 2012:

Code Provision A.4.1 and A.4.2

Code Provisions A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code provision A.4.2 of the Code further stipulates, among others, that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's non-executive directors were not appointed for a fixed term. The Company had not held any annual general meeting since the latest annual general meeting held on 16 August 2010 as it had not yet published its audited accounts since the year ended 31 March 2010. As such, the Former Director and Mr. Orr had not been retired by rotation at least once every three years.

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 4 March 2009, the Directors may, at their discretion, offer to employees, Directors of the Company or its subsidiaries other eligible participants options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. No options were exercised, cancelled, forfeited or lapsed in the period under review.

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

As at 30 September 2012, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares pursuant to share option scheme of the Company ("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 is otherwise 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	Capacity	Number and class of securities		Approximate % of the issued share capital of the Company
		Shares	Underlying Shares	
Lee Shing	Interest in a controlled corporation	1,472,400,000 (Note 1)	–	10.95%
	Personal interest	–	27,000,000 (Note 2)	0.20%
Chan Yeuk Sen	Interest in a controlled corporation	1,293,672,000 (Note 1)	–	9.62%
Kwok Tai Pan	Personal interest	–	27,000,000 (Note 2)	0.20%
Orr Joseph Wai Sing	Personal interest	–	3,100,000 (Note 2)	0.02%
Jiao Zhi	Personal interest	–	3,100,000 (Note 2)	0.02%
Dr. Cheung Wai Bun, Charles J.P.	Personal interest	–	3,100,000 (Note 2)	0.02%

Notes:

1. These Shares were held by Yong Li Investments Limited, a company wholly and beneficially owned by Mr. Lee Shing.
2. The long position in the Underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the share options granted by the Company pursuant to the share option scheme of the Company.

Save as disclosed above, as at 30 September 2012, 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.

Save for the share options that were granted under the share option scheme, none of the Directors or employees of the Group or their respective associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 30 September 2012.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executives of the Company, as at 30 September 2012, the following persons (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 which were recorded in the register required to be kept under Section 336 of the SFO:

Long positions in Shares and Underlying Shares of the Company

Name	Capacity	Number and class of securities		Approximate % of the issued share capital of the Company
		Shares	Underlying Shares	
Yong Li Investments Limited	Beneficial owner	1,472,400,000	–	10.95%
Midway International Holdings Limited	Beneficial owner	1,293,672,000	–	9.62%
Ma Qian Zhou (“ Mr. Ma ”)	Beneficial owner	1,234,776,571 (Note 2)	–	9.18%
			27,000,000 (Note 3)	0.20%
Baker Steel Capital Managers LLP (“ Baker Steel ”)	Investment manager	714,547,200 (Note 4)	–	5.31%

Notes:

1. These Shares are held by Midway International Holdings Ltd. which was wholly and beneficially owned by Mr. Chan Yeuk Sen.
2. Mr. Ma is a shareholder, director and the general manager of Taizhou Mining. Of these Shares, 169,348,000 Shares were held by Ms. Zhao Yuebing, the spouse of Mr. Ma, and therefore Mr. Ma was deemed to have interests in these Shares.
3. The long position in the Underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the share options granted by the Company pursuant to the share option scheme of the Company.
4. These Shares were held by five funds managed by Baker Steel, namely Genus Natural Resources Master Fund, Genus Dynamic Gold Fund, Ruffer Baker Steel Gold Fund, RIT Capital Partners Baker Steel and Baker Steel Gold Fund.

Save as disclosed above, as at 30 September 2012, 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.

For and on behalf of the Board
Grand T G Gold Holdings Limited
Li Dahong
Chairman

Hong Kong, 9 March 2017

The English text of this report shall prevail over the Chinese text in case of inconsistencies.

As at the date hereof, the Board comprises of Dr. Li Dahong (executive Director), Mr. Feng Jun (executive Director), Mr. Jiang Zhiyong (executive Director), Ms. Ma Xiaona (non-executive Director), Mr. Orr Joseph Wai Shing (independent non-executive Director), Mr. Jiang Quanming (independent non-executive Director) and Mr. Guo Wei (independent non-executive Director).