

TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

INTERIM REPORT 2012

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Hok Yin (*Co-chairman*)

(*Re-designated on 26 April 2013*)

Mr. Christiaan Rudolph de Wet de Bruin

(*Co-chairman*)

(*Appointed on 26 April 2013*)

Mr. Neil Andrew Herrick

(*Chief Executive Officer*)

(*Appointed on 26 April 2013*)

Ms. Cheung Pak Sum

Mr. Igor Levental

(*Appointed on 19 August 2013*)

Mr. Shen Junchen

(*Resigned on 28 March 2012*)

Dr. David Twist

(*Appointed on 26 April 2013 and
resigned on 19 August 2013*)

Mr. Stefanus David Steyn

(*Appointed on 26 April 2013 and
resigned on 19 August 2013*)

Independent Non-Executive Directors

Mr. Chui Man Lung, Everett

Mr. Li Kam Chung

Mr. Walter Thomas Segsworth

(*Appointed on 19 August 2013*)

Mr. Hui Wah Tat, Anthony

(*Resigned on 26 April 2013*)

COMPANY SECRETARY

Mr. Tung Yee Shing

(*Appointed on 1 August 2013*)

Mr. Choi Wing Koon

(*Resigned on 22 April 2013*)

AUTHORISED REPRESENTATIVES

Mr. Li Hok Yin

Ms. Cheung Pak Sum

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON HONG KONG LAW

TC & Co., Solicitors

LEGAL ADVISERS ON BERMUDA LAW Appleby

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1901, 19/F, Nina Tower

8 Yeung Uk Road, Tsuen Wan

New Territories, Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12, Bermuda

COMPANY WEBSITE

www.taunggold.com

The Board of Directors (the “Board”) of Taung Gold International Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2012 were as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended	
		30 September	
	<i>Notes</i>	2012	2011
		HK\$'000	HK\$'000
			(restated)
Continuing operations:			
Revenue	2	4,592	7,858
Cost of sales		<u>(4,564)</u>	<u>(28,502)</u>
Gross profit (loss)		28	(20,644)
Other income	4	33,801	1,889
Other gains	5	25	–
Fair value loss on issuance of put options	27(b)	–	(91,928)
Fair value change on gross obligation under put options	27(a)	42,795	395,856
Administrative and operating expenses		(18,648)	(11,075)
Loss on acquisition of an associate	19	(90,228)	–
Share of profit of associates		2,385	–
Finance costs	6	<u>(1)</u>	<u>–</u>
(Loss) profit before taxation		(29,843)	274,098
Income tax expense	7	<u>–</u>	<u>–</u>
(Loss) profit for the year from continuing operations	8	(29,843)	274,098
Discontinued operations:			
Loss for the year from discontinued operations	9	<u>–</u>	<u>(2,812)</u>
(Loss) profit for the year		(29,843)	271,286
Other comprehensive expense for the period			
Exchange difference on translation of foreign operations		<u>(89,927)</u>	<u>(100,855)</u>
Total comprehensive (expense) income for the period		<u>(119,770)</u>	<u>170,431</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2012

	<i>Notes</i>	Six months ended 30 September 2012	2011
		HK\$'000	HK\$'000 (restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(35,978)	274,868
– from discontinued operations		–	(2,370)
		<u>(35,978)</u>	<u>272,498</u>
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		6,135	(770)
– from discontinued operations		–	(442)
		<u>6,135</u>	<u>(1,212)</u>
		<u>(29,843)</u>	<u>271,286</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(97,956)	203,315
Non-controlling interests		(21,814)	(32,884)
		<u>(119,770)</u>	<u>170,431</u>
(Loss) profit per share			
From continuing and discontinued operations:			
Basic (HK cents)	11	<u>(0.30)</u>	<u>7.92</u>
From continuing operations:			
Basic (HK cents)		<u>(0.30)</u>	<u>7.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	30 September 2012 RMB'000	31 March 2012 RMB'000
Non-current assets			
Property, plant and equipment	12	5,187	6,280
Exploration assets	13	5,093,339	5,094,795
Interests in associates	14	32,271	29,877
Amounts due from an associate	14	29,287	29,287
Loans to shareholders of a subsidiary	15	307,442	310,545
Deposits for rehabilitation	16	1,280	1,374
Promissory notes	17	42,500	85,000
Other assets	18	–	340
Pledged bank deposits	21	5,859	6,189
		<u>5,517,165</u>	<u>5,563,687</u>
Current assets			
Inventories	19	8,470	8,470
Other receivables	20	56,482	47,019
Promissory notes	17	171,000	171,000
Bank balances and cash		258,165	514,637
		<u>494,117</u>	<u>741,126</u>
Assets classified as held for sale	22	2,765	2,837
		<u>496,882</u>	<u>743,963</u>
Current liability			
Other payables and accruals	23	7,814	138,852
Derivative financial instruments – put option	27(b)	48,292	48,292
Gross liabilities on put option	27(a)	342,361	385,156
		<u>398,467</u>	<u>572,300</u>
Net current assets		<u>98,415</u>	<u>171,663</u>
Total assets less current liabilities		<u>5,615,580</u>	<u>5,735,350</u>
Capital and reserves			
Share capital		121,799	121,799
Reserves		3,732,089	3,830,045
Equity attributable to owners of the Company		<u>3,853,888</u>	<u>3,951,844</u>
Non-controlling interests		1,761,692	1,783,506
Total equity		<u>5,615,580</u>	<u>5,735,350</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Other reserves	(Accumulated loss)/ retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	121,799	4,758,396	(17,256)	(642,410)	(268,685)	3,951,844	1,783,506	5,735,350
(Loss)/profit for the period	-	-	-	-	(35,978)	(35,978)	6,135	(29,843)
Exchange difference arising on translation to presentation currency	-	-	(61,978)	-	-	(61,978)	(27,949)	(89,927)
Total comprehensive expense for the period	-	-	(61,978)	-	(35,978)	(97,956)	(21,814)	(119,770)
At 30 September 2012	<u>121,799</u>	<u>4,758,396</u>	<u>(79,234)</u>	<u>(642,410)</u>	<u>(304,663)</u>	<u>3,853,888</u>	<u>1,761,692</u>	<u>5,615,580</u>
At 1 April 2011 (restated)	21,979	288,095	13,125	186,705	(52,503)	457,401	75,544	532,945
Profit (loss) for the period	-	-	-	-	272,498	272,498	(1,212)	271,286
Exchange difference arising on translation to presentation currency (restated)	-	-	(69,183)	-	-	(69,183)	(31,672)	(100,855)
Total comprehensive income (expense) for the period (restated)	-	-	(69,183)	-	272,498	203,315	(32,884)	170,431
Issue of shares for acquisition of subsidiaries (restated)	87,000	3,914,984	-	-	-	4,001,984	2,168,773	6,170,757
Issue of shares and put options for the potential additional acquisition in subsidiaries (restated)	11,301	508,564	-	(519,865)	-	-	(519,865)	(519,865)
Issue of put options to options holders of a subsidiary	-	-	-	(464,424)	-	(464,424)	-	(464,424)
Issue of shares on exercise of warrants (restated)	1,475	45,725	-	(23,600)	-	23,600	-	23,600
Issue of shares on exercise of share options (restated)	44	1,028	-	(260)	-	812	-	812
Deemed disposal of partial interests in a subsidiary (restated)	-	-	38,423	178,914	-	217,337	(111,519)	105,818
At 30 September 2011 (restated)	<u>121,799</u>	<u>4,758,396</u>	<u>(17,635)</u>	<u>(642,530)</u>	<u>219,995</u>	<u>4,440,025</u>	<u>1,580,049</u>	<u>6,020,074</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Net cash generating by/(used in) operating activities	16,522	(63,012)
Net cash (used in)/generating by investing activities	(231,731)	386,112
Net cash generating by financing activities	<u>-</u>	<u>130,230</u>
Net increase in cash and cash equivalents	(215,209)	453,330
Cash and cash equivalents at beginning of the period	514,637	156,069
Effects of exchange rate changes	<u>(41,263)</u>	<u>(43,981)</u>
Cash and cash equivalents at end of the period	<u>258,165</u>	<u>565,418</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>258,165</u>	<u>565,418</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“interim financial statements”) for the six months ended 30 September 2012 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which was prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The accounting policies adopted in the preparation of interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

The Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of these new and revised HKFRSs in the period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of items of other comprehensive income ¹
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 19 (Amendments)	Defined benefit plans: Employee contributions ⁵
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ³
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ³
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ⁵
HKFRS 1 (Amendments)	Government loans ²
HKFRS 7(Amendments)	Disclosures – Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities ³
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²
HK(IFRIC) – Int 21	Levies ³

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

- ¹ Effective for annual periods beginning on or after 1 July 2012.
- ² Effective for annual periods beginning on or after 1 January 2013.
- ³ Effective for annual periods beginning on or after 1 January 2014.
- ⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
- ⁵ Effective for annual periods beginning on or after 1 July 2014.
- ⁶ Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.

The Directors anticipate that the adoption of these new standard, amendments and interpretation to standards will not result in a significant impact on the results and financial position of the Group.

2. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Revenue from sale of minerals	4,592	7,858

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) gold exploration and development in South Africa; and
- (b) trading of minerals in the PRC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

During the year ended 31 March 2012, the Group discontinued the coal and gold mining operations as well as loan guarantee service in the PRC. An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the six months ended 30 September 2012 is as follows:

For the six months ended 30 September 2012

	Continuing operations			Discontinued operations			Total HK\$'000
	Gold mining operations	Sales of minerals	Total	Gold mining operations in the PRC	Coal mining operations	Loan guarantee service operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
REVENUE							
External sales	-	4,592	4,592	-	-	-	-
Inter-segment sales	-	-	-	-	-	-	-
Total	-	4,592	4,592	-	-	-	-
RESULTS							
Segment results	<u>28,892</u>	<u>(18)</u>	28,874	<u>-</u>	<u>-</u>	<u>-</u>	-
Other income			33,801				-
Other gains and losses			25				-
Unallocated corporate expenses			(94,927)				-
Share of loss of associates			2,385				-
Finance costs			<u>(1)</u>				-
Loss before taxation			29,843				-
Income tax expense			<u>-</u>				-
Loss for the period			<u>29,843</u>				-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2011

	Continuing operations			Discontinued operations			Total HK\$'000
	Gold mining operations HK\$'000	Sales of minerals HK\$'000	Total HK\$'000	Gold mining operations in the PRC HK\$'000	Coal mining operations HK\$'000	Loan guarantee service operations HK\$'000	
REVENUE							
External sales	-	7,858	7,858	-	-	323	323
Inter-segment sales	-	-	-	-	-	-	-
Total	-	7,858	7,858	-	-	323	323
RESULTS							
Segment results	298,874	(20,685)	278,189	(787)	(1,473)	(651)	(2,911)
Other income			1,889				4
Unallocated corporate expenses			(5,980)				-
Loss before taxation			274,098				(2,907)
Income tax credit			-				95
Loss for the period			274,098				(2,812)

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS** *(Continued)*

4. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest income on loan to a shareholder of a subsidiary	21,425	1,821
Interest income on promissory notes	184	–
Interest on bank deposits	12,192	56
Interest income on interest bearing receivable	–	12
	<u>33,801</u>	<u>1,889</u>

5. OTHER GAINS

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Gain on disposal of property, plant and equipment	<u>25</u>	<u>–</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Other interest expenses	<u>1</u>	<u>–</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period. The PRC subsidiaries are subject to the PRC enterprise income tax at 25% (2011: 25%). The South African subsidiaries are subject to the corporate tax at 28% (2011: 28%).

No taxation has been provided as the Group has not assessable profit for the six months ended 30 September 2012 and 2011.

8. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period has been arrived at after charging:		
Cost of services and inventories recognised as an expense	4,564	28,502
Depreciation for property, plant and equipment	808	398
Minimum lease payments paid under operating leases during the period:		
– Premises	1,334	469
Impairment for investment cost in an associate	90,228	–
Employee benefits expense (including directors' remuneration):		
Wages and salaries	19,017	4,113
Contributions to retirement benefits scheme	50	46
Less: Amounts capitalised in projects	<u>(7,876)</u>	<u>(1,236)</u>
	<u>11,191</u>	<u>2,923</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. DISCONTINUED OPERATIONS

For the period ended 30 September 2011

As set out in the announcement of the Company dated 19 March 2012, 7 October 2011 and 17 August 2011, the Company entered into sale and purchase agreements with independent third parties to dispose entire issued share capital of subsidiaries, which carried out the Group's entire gold mining, coal mining and loan guarantee service in the PRC ("Disposal Groups") respectively. The disposals were effected in order to focus on its core business of gold exploration and development in South Africa. The disposals of subsidiaries engaged in gold mining, coal mining and loan guarantee service in the PRC were completed on 31 March 2012, 13 March 2012 and 29 March 2012 ("Date of Disposal") respectively, on which the control of those subsidiaries were passed to the acquirers.

The results of the discontinued operations for the six months ended 30 September 2011, which had been included in the unaudited condensed consolidated statement of comprehensive income, were as follows:

	30 September 2011			
	Gold mining operation in the PRC <i>HK\$'000</i>	Coal mining operation in the PRC <i>HK\$'000</i>	Loan guarantee operation in the PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	–	–	323	323
Cost of sales	(405)	(1,312)	(16)	(1,733)
Other income	–	–	4	4
Administrative and operating expenses	<u>(383)</u>	<u>(160)</u>	<u>(958)</u>	<u>(1,501)</u>
Loss before taxation	(788)	(1,472)	(647)	(2,907)
Income tax credit	<u>95</u>	<u>–</u>	<u>–</u>	<u>95</u>
Loss of operation for the period	<u>(693)</u>	<u>(1,472)</u>	<u>(647)</u>	<u>(2,812)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000
Net book value as at 1 April 2012	6,280
Additions	159
Disposals	(44)
Depreciation	(867)
Written back on disposal	32
Foreign currency exchange differences	(373)
	<hr/>
Net book value as at 30 September 2012	<u>5,187</u>
Net book value as at 1 April 2011	12,924
Acquisition of subsidiaries	5,707
Additions	72
Reclassified as held for sale	(10,038)
Depreciation	(1,033)
Foreign currency exchange differences	(265)
	<hr/>
Net book value as at 30 September 2011	<u>7,367</u>

13. EXPLORATION ASSETS

	HK\$'000
Net book value as at 1 April 2012	5,094,795
Additions	22,024
Impairment loss	(246)
Foreign currency exchange differences	(23,234)
	<hr/>
Net book value as at 30 September 2012	<u>5,093,339</u>
Net book value as at 1 April 2011	–
Acquisition of subsidiaries	5,530,143
Additions	39,963
Foreign currency exchange differences	(26,677)
	<hr/>
Net book value as at 30 September 2011	<u>5,543,429</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM AN ASSOCIATE

During the reporting period, the Group had the following associates, the particulars of which at 30 September 2012 are as follows:

Name of associates	Place of incorporation/ operation	Class of shares held	Percentage of equity attributable to the Company	Principal activities
Goldster Global Limited	British Virgin Islands	Ordinary	45%	Investment holdings
Great Global Farming (Holdings) Limited	Hong Kong/PRC	Ordinary	45%	Forestry
Oneshine Investments Limited	British Virgin Islands/ PRC	Ordinary	44%	Coal trading
H&M Natural Resources Limited	British Virgin Islands	Ordinary	49%	Nickel Mining
Arctic Sun Trading 56 (Pty) Limited	South Africa	Ordinary	49.9%	Investment holdings
Sephaku Gold Holdings Limited	South Africa	Ordinary	49.9%	Investment holdings

The Group's entitlement to share in the profit or loss in these associates is in proportion to its ownership interest.

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Cost of investments in associates – unlisted	118,133	27,896
Share of post-acquisition profits and other comprehensive income	4,366	1,981
Loss on acquisition of an associate	(90,228)	–
	<u>32,271</u>	<u>29,877</u>
Amounts due from associates	<u>29,287</u>	<u>29,287</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM AN ASSOCIATE *(Continued)*

On 25 May 2012, the Group entered into a sale and purchase agreement with a third party ("Vendor A") pursuant to which the Group acquired 49% equity interest in H & M Natural Resources Limited ("H & M") at a total consideration of HK\$90,228,000. The principal asset of H & M is the mine operating cooperation agreement ("Nickel Co-op Agreement") assigned to H & M by Vendor A. Pursuant to the Nickel Co-op Agreement, H & M may carry out the Nickel mining activities in Kolaka, Indonesia. However, it was subsequently found out that the contractual arrangements provided under the Nickel Co-op Agreement were not in line with the requirements and restrictions under the Law of the Republic of Indonesia No. 4 of 2009 concerning Mineral and Coal Mining ("Mining Law") and Government Regulation No. 23 of 2010 concerning Implementation of Mineral and Coal Mining Business Activities as amended by the Government Regulation No. 24 of 2012 ("Government Regulation 23") and accordingly, based on the legal advice of Indonesian legal counsel, H & M could not carry out the Nickel mining activities without breaching local laws and regulations. As a result, an impairment loss of HK\$90,228,000 is recognised in the profit or loss during the six-month periods ended 30 September 2012. Subsequently, on 17 March 2014, the Group entered into another sale and purchase agreement with Vendor A who agreed to re-acquire the 49% equity interest in H & M from the Group at the original consideration of HK\$90,228,000.

Amounts due from an associate is unsecured, interest-free and in the opinion of the directors, the balance is not expected to be recovered within the next twelve months from the date of the reporting period.

15. LOANS TO SHAREHOLDERS OF A SUBSIDIARY

SepGold is a historically disadvantaged South African company in terms of the broad-based black economic empowerment requirement in South Africa. The loan to SepGold is interest free up to 31 December 2014. The loan is secured by the pledge of shares of TGL. 50% of any dividend declared by TGL in any financial year due to SepGold shall be applied towards the repayment of the loan. The loan will carry interest at the prime rate quoted by ABSA bank Limited in South Africa plus 4% per annum after 31 December 2014.

16. DEPOSITS FOR REHABILITATION

Pursuant to section 41 of the Minerals and Petroleum Development Act of South Africa, an applicant for a prospecting right, mining right or mining permit must make the prescribed financial provision for the rehabilitation or management of negative environmental impacts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. PROMISSORY NOTES

Pursuant to a sale and purchase agreement entered into between the Company and Hua Xiong Development Limited (“Hua Xiong”), an independent third party, dated 7 October 2011, the Group agreed to dispose of the entire issued share capital of Bless Luck International Limited (“Bless Luck”), a then wholly owned subsidiary of the Company, and sale loan of approximately HK\$191,000,000 at an aggregate consideration of HK\$195,000,000, of which HK\$170,000,000 was satisfied by four promissory notes with principal amounts of HK\$42,500,000 each with maturity dates on 13 September 2012, 13 March 2013, 13 September 2013 and 13 March 2014 issued by Hua Xiong and the remaining HK\$25,000,000 was satisfied by cash. The promissory notes are transferrable, are secured by charge on all shares of Bless Luck and carry interest at a rate of 2% per annum.

Pursuant to sale and purchase agreement entered between the Company and Sharp Volition Limited (“Sharp Volition”), an independent third party, dated 19 March 2012, the Group agreed to dispose of the entire issued share capital of Longold Win Limited (“Longold”), a then wholly owned subsidiary of the Company, and sale loan of approximately HK\$91,000,000 at an aggregate consideration of HK\$96,000,000, of which HK\$86,000,000 was satisfied by two promissory notes with principal amounts of HK\$41,000,000 and HK\$45,000,000 with maturity dates on 28 September 2012 and 29 March 2013 respectively issued by Sharp Volition and the remaining HK\$10,000,000 was satisfied by cash. The promissory notes are transferrable, are secured by charge on all shares of Longold and carry interest at a rate of 1.5% per annum.

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Analysed as		
Current	171,000	171,000
Non-current	42,500	85,000
	<u>213,500</u>	<u>256,000</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. OTHER ASSETS

	30 September 2012 <i>HK\$'000</i>	31 March 2012 <i>HK\$'000</i>
Rental deposits	–	340

19. INVENTORIES

	30 September 2012 <i>HK\$'000</i>	31 March 2012 <i>HK\$'000</i>
Finished goods – minerals	8,470	8,470

20. OTHER RECEIVABLES

	30 September 2012 <i>HK\$'000</i>	31 March 2012 <i>HK\$'000</i>
Rental and other deposits	379	–
VAT receivables	44,816	42,235
Other receivables	11,287	4,784
	<u>56,482</u>	<u>47,019</u>

21. PLEDGED BANK DEPOSITS

As at 30 September 2012, a subsidiary of the Company in South Africa had pledged bank deposits of approximately South African Rand (“ZAR”) 6,247,000 (equivalent to approximately HK\$5,859,000) (31 March 2012: ZAR6,092,000 (equivalent to approximately HK\$6,189,000)) in relation to the provision of bank guarantees to a contractor, the Department of Mineral Resources in South Africa.

22. ASSETS CLASSIFIED AS HELD FOR SALE

The Group decided to focus on the core assets in South Africa. Accordingly, certain early stage exploration projects of the Group in South Africa were put up for sale. During the six month ended 30 September 2012, the Group entered into purchase and sales agreements with independent parties to dispose of certain exploration assets with carrying amount of approximately HK\$2,765,000 (2012: HK\$2,837,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. OTHER PAYABLES AND ACCRUALS

	30 September 2012 <i>HK\$'000</i>	31 March 2012 <i>HK\$'000</i>
VAT payables	1,266	19,477
Other payables and accruals	6,548	12,700
Consideration payable for exploration assets	–	106,675
	<u>7,814</u>	<u>138,852</u>

24. ACQUISITION OF SUBSIDIARIES

Acquisition of assets through purchase of a subsidiary, TGL

For the period ended 30 September 2011

Pursuant to an acquisition agreement dated 28 January 2011, an amendment agreement dated 22 March 2011 and a second amendment agreement dated 22 July 2011, the Group acquired directly and indirectly approximately 75.81% of the issued share capital of TGL by issuing 8,699,964,972 shares of the Company to the vendors on 8 September 2011 (the “Completion Date”), the date on which the acquisition was completed.

TGL and its subsidiaries (collectively “TGL Group”) are engaged in the acquisition, exploration and development of mineral assets in respect of gold and minerals associated with gold located in South Africa. Its primary assets are the Evander Project and the Jeanette Project for which the feasibility studies of the Evander Project was just commenced and still in progress, while the Jeanette Project has not yet been commenced at the Completion Date. The directors of the Company are of the opinion that the acquisition of TGL constitutes an acquisition of assets instead of an acquisition of business due to the primary assets are still at a very early exploration stage and further procedures are required so as to prove them to be economically feasible in development.

Consideration transferred

	<i>HK\$'000</i>
Shares issued	<u>4,001,984</u>

The fair value of the 8,699,964,972 consideration shares was HK\$4,001,984,000 at the Completion Date, which was determined by reference to the closing market price of the Company’s share of HK\$0.46 on the Completion Date.

Acquisition-related costs amounting to approximately HK\$4,592,000 have been excluded from the consideration transferred and recognised profit or loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of assets through purchase of a subsidiary, TGL *(Continued)*

Assets acquired and liabilities recognised at the Completion Date are as follows:

	Completion Date <i>HK\$'000</i>
Property, plant and equipment	5,707
Exploration assets	5,530,143
Deposits for rehabilitation	1,471
Loans to shareholders	303,354
Other receivables	28,881
Pledged bank deposits	5,866
Bank balances and cash	463,928
Loan from shareholders	(758)
Other payables and accruals	<u>(167,835)</u>
	6,170,757
Non-controlling interests:	
– warrants of TGL held by warrant holder	(430,282)
– options of TGL held by TGL Share Option Scheme holders	(461,509)
– Share of net assets	<u>(1,276,982)</u>
Total consideration	<u>4,001,984</u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>463,928</u>

TGL Group did not generate any revenue for the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. DISPOSAL OF SUBSIDIARIES

For the period ended 30 September 2011

(a) Disposal of Disposal Groups

As set out in note 9, the Group discontinued its gold mining, coal mining and loan guarantee service operations in the PRC, which are carried out by Longold, Bless Luck and China Fortune International Limited (“China Fortune”) respectively. Details of the disposals of Longold, Bless Luck and China Fortune were set out in the Company’s announcements dated 19 March 2012, 7 October 2011 and 17 August 2011 respectively. The net assets of the Disposal Groups at Date of Disposal were as follows:

	Gold mining operation in the PRC – Longold HK\$'000	Coal mining operation in the PRC – Bless Luck HK\$'000	Loan guarantee services in the PRC – China Fortune HK\$'000
Consideration received:			
Cash received	10,000	25,000	73,000
Promissory notes issued (note 17)	86,000	170,000	–
	<hr/>	<hr/>	<hr/>
Total consideration received	96,000	195,000	73,000
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	568	9,496	30
Mining rights	120,776	258,508	–
Other receivables	933	8,735	5,626
Pledged bank deposits	–	–	4,989
Bank balances and cash	2,575	14	68,540
Amounts due to group companies	(91,157)	(190,635)	(77,927)
Other payables	(1,227)	(1,170)	(1,960)
Tax payable	(331)	(2,705)	–
Deferred taxation	(28,025)	–	–
Provision for rehabilitation	(331)	–	–
	<hr/>	<hr/>	<hr/>
Net assets (liabilities) disposed of	3,781	82,243	(702)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. DISPOSAL OF SUBSIDIARIES (Continued)

For the period ended 30 September 2011 (Continued)

(a) Disposal of Disposal Groups (Continued)

Analysis of assets and liabilities over which control was lost: (Continued)

	Gold mining operation in the PRC – Longold HK\$'000	Coal mining operation in the PRC – Bless Luck HK\$'000	Loan guarantee services in the PRC – China Fortune HK\$'000
(Gain) loss on disposal of subsidiaries			
Consideration	96,000	195,000	73,000
Net (assets) liabilities disposed of	(3,781)	(82,243)	702
Sales loans – amounts due to group companies	(91,157)	(190,635)	(77,927)
Non-controlling interests	–	77,660	–
Cumulative exchange differences in respect of net assets of the disposed subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	6,469	15,216	(186)
Gain (loss) on disposal (<i>note 9</i>)	<u>7,531</u>	<u>14,998</u>	<u>(4,411)</u>
Net cash inflow arising on disposal:			
Cash consideration received	10,000	25,000	73,000
Less: bank balances and cash disposed of	(2,575)	(14)	(68,540)
	<u>7,425</u>	<u>24,986</u>	<u>4,460</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the period ended 30 September 2011 *(Continued)*

(b) Disposal of Goldster Global Limited

On 2 September 2011, the Company disposed of 55% interest in Goldster Global Limited with net liabilities of approximately HK\$41,000 to a third party at nil consideration. Goldster Global Limited was inactive during the period from its date of incorporation to date of disposal. After the disposal, Goldster Global Limited became an associate of the Group.

(c) Deemed disposal of TGL

On 28 September 2011, the warrant holder of TGL exercised all of its warrants, which were subscribed by the warrant holder in 2009 pursuant to a subscription agreement to subscribe for a total of 21,500,000 ordinary shares of TGL by payment of subscription monies of approximately HK\$105,818,000. This subscription of shares of TGL by exercising warrants resulted in the Company's interests in TGL decreased from 75.81% to 68.92% ("Deemed Disposal"). The Deemed Disposal, without losing the Group's control over TGL, was accounted for as an equity transaction. The difference of HK\$178,914,000 between the amount by which the non-controlling interests of TGL adjusted, the amount from subscription of shares by exercising warrants and the re-attribution of proportionate share of cumulative translation of foreign currency to non-controlling interests was recognised directly in equity as other reserve.

26. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	2,440	2,769
In the second to fifth year inclusive	856	2,075
	<u>3,296</u>	<u>4,844</u>

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated and rentals are fixed for a lease term of two to three years.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. GROSS OBLIGATION UNDER ON PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS

(a) Gross obligation under put options

In addition to the acquisition of the controlling shares of TGL as set out in note 24, the Group has granted put options to acquire TGL's shares from the South African Shareholders and the TGL option holders. Details of put options are set out in note 27(b).

Upon the issuance of the put options, the Group has a commitment to settle the potential contractual obligation by cash proceeds from sales (at the time of exercise of the options) of a maximum of 2,139,757,635 of the Company's shares. The gross obligation under these put options are designated as FVTPL at initial recognition and stated at fair value. At the date of acquisition, the fair value of the gross obligation under put options with reference to the market price of the Company's share was HK\$984,289,000. As at 31 March 2012, the fair value of the gross obligation under put options with reference to the market price of the Company's shares was HK\$385,156,000 and the resulting change in fair value of HK\$599,132,000 was recognised in profit or loss during the period ended 31 March 2012. The fair value of the gross obligation under put options as at 30 September 2012 was HK\$342,361,000 and the change in fair value of HK\$42,795,000 was recognised in profit or loss during the six months ended 30 September 2012.

(b) Derivative financial instruments

Put options for the acquisition of additional interest in TGL

- (i) Put option agreements between the Company, Gold Commercial Services Limited ("Goldcom") and South African Shareholders

The South African Shareholders had 21,174,316 shares of TGL on Completion Date. To facilitate the South African Shareholders to sell their shares in TGL to the Company, the Company granted put options to these South African Shareholders. The consideration payable by each South African Shareholder for the grant of the put option is ZAR1. Due to foreign exchange control restrictions in South Africa, the South African Shareholders are restricted from on-selling, transferring or dealing in the Company's shares. Accordingly, Goldcom was introduced to facilitate the arrangements under the put option agreements between the Company and the South African Shareholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. GROSS OBLIGATION UNDER ON PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS *(Continued)*

(b) Derivative financial instruments *(Continued)*

Put options for the acquisition of additional interest in TGL (Continued)

- (i) Put option agreements between the Company, Gold Commercial Services Limited (“Goldcom”) and South African Shareholders *(Continued)*

To facilitate the payment of the put option exercise price upon the exercise of the put options, on the Completion Date, Goldcom subscribed for 1,130,141,116 shares of the Company in consideration for the issuance of the loan note with nil interest. The shares are kept by an escrow agent appointed by Goldcom, the Company and the South African Shareholders. The loan note is unsecured. The Company will not demand repayment of any amount outstanding under the loan note prior to the sales on the Stock Exchange of the Company’s shares and the receipt by Goldcom of an amount equivalent to the cash proceeds from the sales of the Company’s shares upon exercise of put options by the South African Shareholder. In substance, Goldcom is acting in the role of an agent and the arrangement of loan note and the share subscription only to facilitate the issuance of share prior to the exercise of put options. Accordingly, the shares issued for the loan note are accounted for as if they are treasury shares. The closing market price of the Company’s share on the Completion Date was HK\$0.46. The share capital and share premium relating to these shares issued to Goldcom amounted to HK\$519,865,000 is recognised as other reserve in equity in the unaudited condensed consolidated statement of changes in equity.

Pursuant to the put option agreements dated 8 September 2011, the South African Shareholders may sell their TGL shares to the Company through Goldcom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. Goldcom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company’s shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through Goldcom may be exercised by the South African Shareholders at any time within three years from the Completion Date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. GROSS OBLIGATION UNDER ON PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS *(Continued)*

(b) Derivative financial instruments *(Continued)*

Put options for the acquisition of additional interest in TGL (Continued)

- (i) Put option agreements between the Company, Gold Commercial Services Limited (“Goldcom”) and South African Shareholders *(Continued)*

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company through Goldcom. If any South African Shareholder has not exercised his put options in full within three years from the Completion Date, Goldcom shall sell through the Stock Exchange the remaining Company’s shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company’s shares is borne by the Company.

During the period ended 30 September 2012, no put option had been exercised by the South African Shareholders.

- (ii) Put options granted by the Company to the holders of options of TGL (“TG Optionholders”)

Pursuant to the put option agreements dated 8 September 2011 entered into between the TG Optionholders, Goldcom, TGL and the Company, the Company and Goldcom will grant to the TG Optionholders the right to sell a maximum number of 18,916,168 TGL shares to the Company or to the Company through Goldcom for a maximum of 1,009,616,519 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time within three years from the Completion Date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. GROSS OBLIGATION UNDER ON PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS *(Continued)*

(b) Derivative financial instruments *(Continued)*

Put options for the acquisition of additional interest in TGL (Continued)

- (ii) Put options granted by the Company to the holders of options of TGL (“TG Optionholders”) *(Continued)*

When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through Goldcom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. Goldcom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company’s shares to the TG Optionholders using an exchange ratio of about 53 Company’s shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the put option agreements. In addition, if any TG Optionholders wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR 1. During the six months ended 30 September 2012, no put options were exercised by the TG Optionholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. GROSS OBLIGATION UNDER ON PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS *(Continued)*

(b) Derivative financial instruments *(Continued)*

Put options for the acquisition of additional interest in TGL (Continued)

- (ii) Put options granted by the Company to the holders of options of TGL (“TG Optionholders”) *(Continued)*

During the year ended 31 March 2012, fair value of HK\$91,928,000 in respect of put options granted to the TG Optionholders was recognised in profit or loss with a corresponding adjustment recognised in the derivative financial instruments. In addition, a fair value change of HK\$43,636,000 was recognized in profit or loss for the year ended 31 March 2012. The fair value of the put options as at 30 September 2012 is assumed to be unchanged and no change in fair value was recognised in profit or loss during the six months ended 30 September 2012.

28. COMMITMENTS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Capital commitment to gold projects:		
– Drilling contracts	–	6,093
– Pre-feasibility study consulting contracts	1,882	2,907
– Other service contracts	22,341	12,925
	24,223	21,925

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Group had the following acquisitions:

- (i) On 25 May 2012, the Group entered into a sale and purchase agreement with an independent third party (“Vendor A”) pursuant to which the Group acquired 49% equity interest in H & M Natural Resources Limited (“H & M”) at a total consideration of HK\$90,228,000 of which HK\$47,500,000 was settled by cash and HK\$42,500,000 was settled by a promissory note held by the Group which was issued by Hua Xiong to the Group (see note 17) together with the interest receivable of HK\$228,000. H & M is a company incorporated in BVI, whose principal asset is the mine operating cooperation agreement (“Nickel Co-op Agreement”) assigned to H & M by Vendor A. Pursuant to the Nickel Co-op Agreement, H & M can carry out the Nickel mining activities in the designated mining area in Kolaka, Indonesia. However, it was subsequently found that the contractual arrangements provided under the Nickel Co-op Agreement are not in line with the requirements and restrictions under the Law of the Republic of Indonesia No. 4 of 2009 concerning Mineral and Coal Mining (“Mining Law”) and Government Regulation No. 23 of 2010 concerning Implementation of Mineral and Coal Mining Business Activities as amended by the Government Regulation No. 24 of 2012 (“Government Regulation 23”) and therefore H & M is unable to carry out the Nickel mining activities. Accordingly, a loss on acquisition of an associate amounting to HK\$90,228,000 is to be recognised in profit or loss during the year ended 31 March 2013.

On 17 March 2014, the Group entered into another sale and purchase agreement with Vendor A who agreed to re-acquire the 49% equity interest in H & M from the Group at the original total consideration of HK\$90,228,000. The consideration is to be settled by cash of HK\$15,228,000 and two promissory notes with principal amount of HK\$37,500,000 each. Both promissory notes are interest bearing at 1% per annum and matured on 31 July 2014 and 30 November 2014 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) Subsequent to the end of the reporting period, the Group had the following acquisitions: *(Continued)*

- (ii) On 7 January 2013, the Group entered into a sale and purchase agreement with an independent third party (“Vendor B”) pursuant to which the Group acquired 75% equity interest in Saint Ford Group Limited (“Saint Ford”) at a total consideration of HK\$95,025,000 of which HK\$8,000,000 was settled by cash and HK\$86,000,000 was settled by transfer of 2 promissory notes issued by Sharp Volition (see note 22) together with the interest receivable of HK\$1,025,000. The principal asset of Saint Ford is the gold mining right assignment agreement (“Gold Assignment Agreement”) entered into between Saint Ford and a gold mine owner. Pursuant to the Gold Assignment Agreement, Saint Ford can carry out the gold mining activities in the designated mining area in Kotamobagu, Indonesia. However, it was subsequently found that the contractual arrangements provided under the Gold Assignment Agreement are not in line with the requirements and restrictions under the Mining Law and the Government Regulation 23 and therefore Saint Ford is unable to carry out the gold mining activities. Accordingly, a loss on acquisition of a subsidiary amounting to HK\$95,025,000 is to be recognised in profit or loss during the year ended 31 March 2013.

On 17 March 2014, the Group entered into a sale and purchase agreement with Vendor B who agreed to re-acquire the 75% equity interest in Saint Ford from the Group at the original total consideration of HK\$95,025,000. The consideration is to be settled by cash of HK\$15,025,000 and two promissory notes with principal amount of HK\$40,000,000 each. Both promissory notes are interest bearing at 1% per annum and matured on 31 July 2014 and 30 November 2014 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) Subsequent to the end of the reporting period, the Group had the following acquisitions: *(Continued)*

(iii) On 22 April 2013, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group conditionally agreed to acquire 100% equity interest in Jun Mao Enterprises Limited (“Jun Mao”) at a total consideration of HK\$93,000,000 of which HK\$8,000,000 was settled by cash and HK\$85,000,000 was settled by 2 promissory notes issued by Hua Xiong to the Group (see note 17). Jun Mao is in the process of acquiring 10% equity interest in 貴州文真鋁業有限公司 (“文真鋁業”), a company established in the PRC, which has a mining right to conduct bauxite mining activities in the designated mining area in Guizhou, the PRC. The acquisition for Jun Mao is conditional upon the acquisition of 文真鋁業. The acquisition has not yet been completed up to the date of authorisation for the issue of the consolidated financial statements as the acquisition of 文真鋁業 is still in progress.

(iv) On 23 April 2013, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group conditionally agreed to acquire 35% equity interest in Wealthy Peace Holdings Limited (“Wealthy Peace”) at a total consideration of HK\$60,000,000 of which HK\$17,500,000 was settled by cash and HK\$42,500,000 was settled by a promissory note issued by Hua Xiong to the Group (see note 17).

Wealthy Peace is in the process of acquiring the 100% equity interest in 貴州天啟源燃氣投資有限公司 (“天啟源燃氣”), a company established in the PRC, which has 97% interest in the operations of liquefied natural gas storage and filling stations projects in Guizhou, the PRC. The acquisition for Wealthy Peace is conditional upon Wealthy Peace completed the acquisition of 天啟源燃氣. The acquisition has not yet been completed up to the date of authorisation for the issue of the consolidated financial statements as the acquisition of 天啟源燃氣 is still in progress.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

- (b) As set out in the announcement published by the Company on 19 September 2012, the Company commenced legal proceedings against TGL to replace the majority of the directors of TGL board and to obtain annual consolidated financial statements of TGL, and took appropriate actions to challenge the legality of the issue of the 2012 TGL Warrants with voting rights and the grant of voting rights to the options granted by TGL under the TGL Share Option Scheme such that each TGL option shall carry the same voting right as an issued share of TGL. On 26 April 2013, the Company and TGL entered into a settlement agreement pursuant to which TGL shall (i) cancel 35,000,000 2012 TGL Warrants, (ii) remove the voting rights of the TGL options, (iii) amend the TGL Share Option Scheme that no voting rights can be granted to or attached to any options granted under the TGL Share Option Scheme; (iv) deliver audited consolidated financial statements of TGL and unaudited interim unaudited financial statements of TGL to the Group; and (v) appoint 2 persons nominated by the Company to the board of directors of TGL with effect from 26 April 2013; while the Company shall (i) withdraw all proceedings against TGL, and (ii) appoint 4 persons nominated by TGL to the board of directors of the Company and appoint a person nominated by TGL as the chief executive officer of the Company with effect from 26 April 2013.
- (c) On 26 April 2013, TGL entered into an agreement with the holder of 35,000,000 2012 TGL Warrants pursuant to which both parties agreed to cancel the 35,000,000 2012 TGL Warrants, details of which are set out in note 38(c).
- (d) On 19 August 2013, TGL entered into an agreement with the holder of 30,000,000 2012 TGL Warrants pursuant to which the holder agreed to cancel the 30,000,000 2012 TGL Warrants with effect from 19 August 2013, details of which are set out in note 38(c).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the operations of gold mines in the Republic of South Africa ("South Africa") and (ii) sale of minerals.

During the period under review, the Group has recorded a turnover of approximately HK\$4,592,000 which represents a decrease of 41.56% compared with the turnover of approximately HK\$7,858,000 recorded in the corresponding period of last year. The Group recorded a net loss from ordinary activities attributable to owners of approximately HK\$29,840,000 compared with a net profit from ordinary activities attributable to owners of approximately HK\$274,098,000 for the corresponding period of last year during which a fair value gain on gross obligation under put options of approximately HK\$395,856,000 was recognized.

The other comprehensive expense of approximately HK\$89,927,000 (30 Sep 2011: HK\$100,855,000) mainly arose from the exchange difference on the translation of South African operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group's had no outstanding bank borrowings (31 March 2012: Nil) and no banking facilities (31 March 2012: Nil).

The Group's gearing ratio as at 30 September 2012 was zero (31 March 2012: Zero), calculated based on the Group's total zero borrowings (31 March 2012: Zero) over the Group's total assets of approximately HK\$6,014,047,000 (31 March 2012: HK\$6,307,650,000).

As at 30 September 2012, the balances of cash and cash equivalents of the Group were approximately HK\$258,165,000 (31 March 2012: HK\$514,637,000) and were mainly denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

FOREIGN EXCHANGE EXPOSURE

During the period ended 30 September 2012, the Group operated mainly in the PRC and the Republic of South Africa, and the majority of the Group's transactions and balances were denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OCCURRENCE OF IMPORTANT EVENTS AFFECTING THE GROUP

Trading in the shares of the Company was suspended at the request of the Company on 8 June 2012. Shareholders are referred to the subsequent announcements made by the Company regarding the Incident and, in particular, to the announcement of 29 April 2013 dealing with 1) the Settlement Agreement in relation to the Incident and 2) Change of Directors. Further announcements were made on 31 May 2013, 28 June 2013 and 29 July 2013 and on 6 August 2013 an announcement was made regarding the entering into of the Shareholders Agreement by a group of Shareholders, that effectively brought an acceptable conclusion to the Incident.

With the benefit of hindsight the board of the Company and the board of Taung Gold Limited consider that the Incident arose as a result of miscommunication and misunderstanding between the management of the Company and Taung Gold Limited. This unfortunate situation was resolved during discussions leading up to the Settlement Agreement that was executed on 26 April 2013.

On 3 September 2013 the Company received a letter from the Stock Exchange of Hong Kong in which the Stock Exchange stated the following resumption conditions:

1. publish all outstanding financial results and report, and address any concerns raised by the Company's auditors through qualifications in their audit report (the "Outstanding Results Condition"); and
2. demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules (the "Internal Control Condition").

An announcement was made on 30 January 2014 detailing the results of the Internal Control Review that fulfilled the Internal Control Condition. The Outstanding Results Condition will be fulfilled through the publication of this announcement containing all of the outstanding financial results. As clarified with the Stock Exchange, the publication of the outstanding financial reports may take place after the resumption of trading of the Company's shares on the Stock Exchange and accordingly, this would not affect the fulfillment of the Results Condition.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS

Exploration Activities

Four boreholes, TW1C, TW5A, TW6 and TW7 were drilled in the Twistdraai project area during 14 February 2011 and 14 July 2012. Taung Gold Limited instituted a quality assessment/quality control protocol, which was advised, reviewed and signed off by Snowden Group Consultants, Randburg, Johannesburg, South Africa. The core that was drilled has an average diameter size of 46mm and included on average 9 short deflections on each hole drilled. A total of 9,988 metres of core was recovered, including the deflections, at a total program cost of ZAR74,930,000 with the down-hole drilling cost of ZAR24,590,000. The field logistics component was ZAR31,050,000 and the labour cost expense was ZAR19,290,000. The following table shows the cost breakdown:

Drilling Program Cost Element	ZAR
Site establishment & dis-establishment	809,200
Percussion drilling contractor cost	1,627,659
Core drilling contractor cost	8,793,271
Wedge installation & surveys	8,202,509
Water carting	1,252,470
Sampling	1,012,410
Downhole maintenance (cementation, plugging etc)	2,891,748
Field logistics and rehabilitation	31,050,747
Staff/ labour cost	<u>19,290,537</u>
Total drilling program:	<u>74,930,550</u>

The Company has not conducted any mining or production activities during the reporting period.

Evander Project

The Evander Project comprises the Six Shaft area and the Twistdraai area on the north-eastern limb of the Witwatersrand Basin, Mpumalanga Province, South Africa. As disclosed in the Circular, Evander Gold Mines Limited ("EGM") held the Mining Right No 107/2010 at the relevant time, which is the mining right that covers the Evander Project. The Mining Right No 107/2010 permitted the mining of gold and associated minerals in the Six Shaft and Twistdraai area.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

Evander Project *(Continued)*

The Earn-in Agreement and the Sale Agreement

Taung Gold Limited (“TGL”), one of the subsidiaries of the Company, entered into a series of nine agreements with EGM Limited on 29 February 2008 (being the Earn-in Agreement). Through the Earn-in Agreement TGL would have sufficient influence in decisions over the exploration of gold resources in the Evander Project whereby TGL contributed the financial resources and the technical expertise to actively explore the Evander Project and EGM Limited contributed the Mining Right No 107/2010.

Under the Earn-in Agreement, in order for TGL to “earn-in” an interest in the Evander Project, TGL was obliged to complete a Scoping Study, a Pre-Feasibility Study and a Bankable Feasibility Study. TGL had already completed the Scoping Study for the Evander Project in April 2010.

Subsequent to the signing of the Earn-in Agreement, negotiations were initiated with EGM Limited resulting in the signing of a sale agreement between EGM Limited and Taung Gold Secunda (Proprietary) Limited (“TGS”) a wholly owned subsidiary of TGL in September 2010 to acquire the entire interest in the Evander Project (the “Sale Agreement”). Completion of the Sale Agreement was conditional on the approval by the Minister of Mineral Resources (“MMR”) for the transfer of a subdivided portion of EGM Limited’s new order mining right (the “Mining Right”) to a wholly-owned subsidiary of TGL (the “Approval”). This subdivided portion covers the entire Evander Project.

On 6 June 2012, Mining Right No 116/2013 over the Evander Project was granted to EGM Limited and the Approval was obtained on the same date and the Sale Agreement became unconditional.

On 18 July 2012 the Mining Right was executed in the name of EGM Limited by the MMR. The Mining Right commenced on 18 July 2012 and will continue in force for 25 years and 9 months and will expire on 28 April 2038. It is renewable for a further period of 30 years. The balance of the consideration of ZAR105 million (or approximately HK\$80.6 million) was settled by TGL on 30 May 2012. As a result, the Sale Agreement became unconditional and completion of the Sale Agreement took place on that date. Pursuant to the terms of the Sale Agreement, the Earn-in Agreement was then terminated and TGL had a 100% interest in the Evander Project. The registration of the Mining Right under 116/2013 into the name of EGM took place on 1 November 2013 and the Deed of Cession No 70/2013 effectively transferring the Mining Right into the name of TGS was registered at the Mineral and Petroleum Titles Registration Office (“MPTRO”) on 20 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

Evander Project *(Continued)*

Consideration under the Sale Agreement

The consideration under the Sale Agreement was ZAR225 million (or approximately HK\$172.8 million). An aggregate of ZAR120 million (or approximately HK\$92.2 million) was paid by TGL before 29 April 2011 as deposit or prepayment under the Sale Agreement.

The Jeanette Project

The Jeanette Project is located close to the town Allanridge within the southwest margin of the Witwatersrand Basin, northeast of Welkom, in the Free State Province of South Africa.

Update on prospecting rights and approvals for the Jeanette Project

TGL entered into an agreement to acquire the single prospecting right (the “Prospecting Right”) for the Jeanette area in 2008. A Scoping Study was completed over the Jeanette Project in June 2010. Consent to the transfer of the Prospecting Right was given by the MMR on 29 September 2010 and the prospecting right is valid for five years commencing 29 June 2010. The Prospecting Right permits the exploration of gold ore, silver ore and uranium ore in the Jeanette area. The registration of Taung Gold Free State (Pty) Limited (“TGFS”), a wholly owned subsidiary of TGL. The registration of Prospecting Right No. 144/2013 took place on 30 October 2013 and the Deed of Cession was registered at the MPTR0 on 1 November 2013.

Apart from the Prospecting Right, TGL has continued to consolidate its mineral rights holdings in and around its Jeanette Project area. On 28 June 2010, TGL entered into an agreement to acquire the prospecting rights over the farms Buitendachshoop 122, Weltevreden 59, Portion RE and LeClusa 70 from Free State Development and Investment Corporation Limited. These permits are contiguous to the Prospecting Right. The MMR has granted the relevant consent for the transfer of the prospecting rights over the Buitendachshoop and Weltevreden areas to TGL and the transfers are currently pending for registration in TGFS’s name with the Mineral and Petroleum Titles Registration Office. The prospecting rights over the LeClusa licence area were registered in TGFS’s name with the MPTR0 on 18 April 2011. In addition, TGFS has been granted additional prospecting rights over the Bandon 345, Damplaats 361, Katbosch 358, Leeuwbosch 285 farms and also a portion of Weltevreden 59 farm, all being contiguous to the Jeanette Project.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

The Jeanette Project *(Continued)*

Update on prospecting rights and approvals for the Jeanette Project (Continued)

The following table shows the present status of the prospecting rights of the greater Jeanette Project:

Prospecting Right	MPTRO/PR No	Status
Jeanette	144/2013	Deed of Cession No.64/2013 registered to TGFS on 1 November 2013
Buitendachshoop/ Weltevreden	(709PR)	Section 11 consent granted 13 June 2011 Execution and registration of the Deed of Cession is still to be completed
LeClusa	138/2011	Deed of cession No.03/2013 registered to TGFS on 18 January 2013
Damplaats /Katbosch	278/2010	Registered to TGFS on 19 October 2010
Bandon/Weltevreden/ Leeuwbosch	22/2011	Registered to TGFS on 18 October 2011

TGFS has submitted a Section 102 application on 4 March 2014 to consolidate the above permits into a single prospecting right using the Jeanette prospecting right (MPTRO 144/2013) as the base for such consolidation. On completion of the consolidation and the Pre-Feasibility Study currently underway, TGFS will then apply for a mining right over the consolidated area and it is expected that this application will be submitted early in 2015. TGFS as the holder of the to be consolidated prospecting rights has the exclusive right to apply for a mining right.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

As at the date of this announcement, both the Evander Project and the Jeanette Project are at the exploration stage, which involves the completion of Bankable Feasibility Studies ("BFS") and Pre-Feasibility Studies ("PFS") for the projects, respectively.

The Evander Project

TGL is in the process of completing a Bankable Feasibility Study for the Six Shaft area. The technical and engineering work in relation to the BFS is complete and the pending execution of option agreements relating to the securing of surface rights for a tailings storage facility will enable the completion of the financial work. The publication of the BFS Report is expected by the second quarter of the new financial year and will herald the declaration of the maiden Mineral Reserve for the Evander Project.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT *(Continued)*

The Jeanette Project

TGL is presently conducting a PFS over the project area using the enlarged resource and new structural plan and it is expected to be completed during the second quarter of the new financial reporting period.

The Company is considering different plans to commence with the subsequent construction phase of the Evander Six Shaft Project and continues to review its financial position given recent and prevailing uncertainty and volatility in global markets. The Directors have approached this period of uncertainty by reviewing capital expenditure to advance the two flagship projects and work at the remaining exploration projects. The Board made the decision to complete the BFS for the Evander Six Shaft area but will only decide on a further drilling program in the Twistdraai area at a later date. Consequently, further PFS/BFS work for the Twistdraai area will also be commissioned at a later date. It was also decided to delay the commissioning of various studies on the Jeanette Project such that the completion of the PFS will be finalized at the end of the first quarter of the new financial year. A decision regarding the timing of commencement of the BFS for the Jeanette Project will be taken after the completion of the PFS. TGL has also reviewed its remaining exploration projects in South Africa and will continue to dispose of those projects that do not meet its expectations, in order to ensure continued focus on the flagship projects at Evander and Jeanette.

OTHER INFORMATION

CHANGE OF AUDITOR

Messrs. HLB Hodgson Impey Cheng (“HLB”), the auditors of the Company for the year ended 31 March 2011, resigned on 13 April 2012. Messrs. Deloitte Touche Tohmatsu was appointed as auditors of the Company with effect from 13 April 2012 to fill the casual vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company.

TRANSACTIONS AFTER REPORTING PERIOD

The transactions which took place after 30 September 2012 (please refer to 29(a)(i) and (ii) on pages 31 and 32 of this interim results announcement) did not constitute notifiable transactions and/or connected transactions to the Company pursuant to Chapter 14 and Chapter 14A under the Listing Rules.

OTHER INFORMATION (Continued)

HUMAN RESOURCES

As at 30 September 2012, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 60. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

UNLISTED WARRANTS

The following table discloses movements in the Company's unlisted warrants issued to the subscribers during the period ended 30 September 2012:

Date of warrant issued	Outstanding at beginning of the period	Granted during the period	Exercise during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period	Percentage to total Company's shares in issue at end of the period
10 March 2010	88,848,000	-	-	88,848,000	0.160	10 March 2010–9 March 2015	0.73%

The closing price of the Company's share immediately before 10 March 2010, the date of issue, was HK\$0.315.

The following table discloses movements in TGL's unlisted warrants issued to the subscribers during the period ended 30 September 2012:

Warrant holders	Date of warrant issued	Granted during the period	Exercise during the period	Cancelled during the period	Outstanding at end of the period	Subscription Price HK\$	Exercise period
Dr. David Twist (Note 1)	12 January 2012	-	-	-	-	25	12 January 2012–4 January 2017
Electrum Strategic Exploration Limited (Note 2)	12 January 2012	30,000,000	-	-	30,000,000	25	12 January 2012–4 January 2017

Notes:

- (1) Dr. David Twist is a former director and current consultant of TGL and he was the executive director of the Company during the period from 26 April 2013 to 19 August 2013. The 35,000,000 of warrants attached with voting rights was cancelled on 26 April 2013 retrospectively.
- (2) Electrum Strategic Exploration Limited is a substantial shareholder of the Company and TGL. The 30,000,000 of warrants attached with voting rights was cancelled on 19 August 2013.

OTHER INFORMATION (Continued)

UNLISTED WARRANTS (Continued)

Details of the issuance and cancellation of warrants of TGL is set out in the announcements of the Company dated 13 June 2012, 19 September 2012, 27 November 2012, 21 January 2013, 21 February 2013, 22 March 2013, 29 April 2013, 31 May 2013, 28 June 2013, 29 July 2013, 6 August 2013 and 19 August 2013.

SHARE OPTION SCHEME

At the Company's special general meeting held on 4 January 2010, an ordinary resolution was passed by the Company's shareholders for adoption of a share option scheme (the "2010 Share Option Scheme") (which complies with the amended Chapter 17 of the Listing Rules). There were 32,500,000 options outstanding as at 30 September 2012 which represented approximately 0.27% of the total number of issued shares of the Company as at that date.

During the six months ended 30 September 2012, the movements of the options which have been granted under the 2010 Share Option Scheme are as follows:

Category of participants	Date of share option granted	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Directors of the Group	13 December 2011	25,000,000	-	-	-	25,000,000	0.1890	13 December 2011- 13 December 2013
Employees of the Group	13 December 2011	7,500,000	-	-	-	7,500,000	0.1890	13 December 2011- 13 December 2013
		<u>32,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,500,000</u>		

TGL approved an option scheme during 2010 (prior to the Completion Date) to enable employees to acquire shares in TGL to provide them with incentives to advance TGL's interest, to promote an identity of interest with shareholders and to retain the skills and expertise of employees. The total number of shares issued in terms of the scheme will not exceed 10% of the issued share capital of TGL.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

During the six months ended 30 September 2012, the movements of the options which have been granted under the share option scheme of TGL are as follows:

Category of participants	Date of share option granted	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Employees of TGL	26 May 2010	6,737,312	-	-	-	6,737,312	4.950	26 May 2010– 25 May 2015
Employees of TGL	26 July 2010	6,238,000	-	-	-	6,238,000	4.950	26 July 2010– 25 July 2015
Employees of TGL	1 September 2010	7,964,737	-	-	-	7,964,737	7.425	1 September 2010– 31 August 2015
Employees of TGL	1 November 2010	2,705,161	-	-	-	2,705,161	9.900	1 November 2010– 31 October 2015
		<u>23,645,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,645,210</u>		

There were 23,645,210 options outstanding as at 30 September 2012 which represented approximately 10.00% of the total number of issued shares of TGL as at that date.

At the Company's special general meeting held on 19 August 2011, an ordinary resolution was passed by the Company's shareholders for granting of a put option to holders of options in TGL in relation to the sale to the Company of up to 18,916,168 shares of TGL acquired pursuant to the exercise of options in TGL for an aggregate consideration of up to 1,009,616,519 shares of the Company at any time within three years from the Completion Date.

TGL has granted voting rights to its 23,645,210 options such that each option of TGL would carry the same voting right as an issued share of TGL. On 26 April 2013, the voting rights of options had been removed and the share option scheme of TGL had been amended that no voting rights can be granted or attached to any options granted under the scheme.

Details of the granting and removing of voting rights to options of TGL is set out in the announcements of the Company dated 19 September 2012 and 29 April 2013.

OTHER INFORMATION *(Continued)*

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

At 30 September 2012, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to (the Model Code for Securities Transactions by Directors of Listed Issues,) were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Number of Ordinary Shares		Number of underlying shares held under share options	Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests			
Li Hok Yin	17,380,622	-	5,000,000	22,380,622	0.18%
Cheung Pak Sum	-	-	5,000,000	5,000,000	0.04%
Chui Man Lung, Everett	-	-	5,000,000	5,000,000	0.04%
Hui Wah Tat, Anthony <i>(Resigned on 26 April 2013)</i>	-	-	5,000,000	5,000,000	0.04%
Li Kam Chung	-	-	5,000,000	5,000,000	0.04%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2012 as defined in Section 352 of the SFO.

OTHER INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Persons who have an interest or short position which is discloseable under provisions of Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors of the Company, as at 30 September 2012, the following persons (including Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives	Total interest	Percentage of issued ordinary shares as at 30 September 2012
Electrum Strategic Exploration Limited <i>(note 1)</i>	2,295,047,831	–	2,295,047,831	18.84%
Mandra Materials Limited <i>(note 2)</i>	1,745,693,838	–	1,745,693,838	14.33%
Mandra Esop Limited <i>(note 2)</i>	287,722,674	–	287,722,674	2.36%
Gold Commercial Services Limited (“GoldCom”) <i>(note 3)</i>	1,130,141,116	–	1,130,141,116	9.28%
Able Union Limited	747,224,875	–	747,224,875	6.13%

Notes:

- (1) The entire share capital of Electrum Strategic Exploration Limited is wholly-owned by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) Mandra Materials Limited and Mandra ESOP Limited are wholly-owned by Beansprouts Limited which in turn is owned as to 50% by Zhang Songyi and 50% owned by Mui Bing How. Hence, Zhang Songyi and Mui Bing How are deemed to be interested in the Shares held by Mandra Materials Limited and Mandra ESOP Limited for the purpose of SFO.
- (3) On 8 September 2011, the Company issued 1,130,141,116 shares of the Company to GoldCom for the purpose of acquiring 21,174,316 shares of TGL from South African resident shareholders of TGL. Please refer to note 15 for the details. As at 30 September 2012, South African Shareholder has neither instructed GoldCom to sell its shares of the Company nor to sell their own shares of TGL to the Company.

OTHER INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Persons who have an interest or short position which is discloseable under provisions of Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Save as disclosed above, as at 30 September 2012, the Directors of the Company were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

The Board considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. With the assistance from the Consultant, internal control deficiencies and deviation from the Code were identified, which existed for the year ended 31 March 2013 due to inadvertent oversight. The table below summarized the key deficiencies and remediation implemented by the Group:

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
1. Internal communications	Inadequate communication between the Company and the South African operation.	<p>a. Relevant internal communication policy has been established and approved by the Board.</p> <p>b. Internal communication of the Group has been enhanced by holding quarterly meeting and irregular meetings between the Hong Kong and South African based Executive Directors and senior management for discussion and reporting and circulating all internal correspondences and documentations to all Executive Directors of the Company.</p>

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
2. Compliance with Listing Rules	<p>Incomprehensive policies and procedures governing the reporting of notifiable transactions and connected transactions of directors and senior executives.</p> <p>Incomprehensive corporate governance policies and procedures in relation to Appendix 14 of the Listing Rules.</p>	<p>a. The Company's guideline on connected transactions and notifiable transactions has been enhanced and approved by the Board.</p> <p>b. Trainings in relation to the reporting of notifiable transactions and connected transactions were carried out for Executive Directors and senior management of the Company.</p> <p>c. Assistant company secretary of the Company has been assigned to perform the regular review and update of the connected parties list since 30 September 2013.</p> <p>d. Directors have provided and will be required to provide annual written declarations regarding their respective connected parties and connected transactions since 30 September 2013.</p> <p>The Company's terms of reference of corporate governance function have been enhanced and approved by the Board.</p>

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
	No formal policy to monitor the compliance with requirements set out in Chapter 18 of the Listing Rules for mineral companies.	The Company's guideline for Chapter 18 has been established and approved by the Board.
3. Internal guidelines and policies	Incomprehensive code of conduct covering the handling of confidential and proprietary information and ethical or conflict of interests issues.	<p>a. Code of Conduct including a comprehensive set of ethical guideline has been revised and approved by the Board.</p> <p>b. All Directors and senior management of the Company have signed confirmation of undertaking of the Code of Conduct and have consented to comply with their provisions.</p>
4. Internal control regarding significant transactions/acquisitions	No formal mechanism to monitor and manage the process during the post – acquisition integration following any acquisition done by the Group.	<p>a. The Company's "Post – acquisition Guideline" has been established and approved by the Board.</p> <p>b. No sample for the post – acquisition integration plan is available as no acquisition has been carried out by the Group during the Internal Control Review.</p>

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
	<p>The Company does not have formal procedures on requirement to obtain approvals from the Board for significant business transactions.</p>	<ul style="list-style-type: none">a. Policies and procedures on a list of matters that require prior approval from the Board and the internal communication within the Group has been established and approved by the Board.b. Certain Executive Directors of the Company have been appointed as the Executive Directors of the South African subsidiary and vice versa.c. Quarterly meeting and irregular meetings are required to be held between the representatives of the Company's subsidiaries and the Company for discussion and reporting since 26 July 2013.
	<p>Incomprehensive policies and procedures for authorization on key business decisions.</p>	<ul style="list-style-type: none">a. The Company's "Role and Responsibilities of Directors & Authorization Policy" has been enhanced and approved by the Board.b. The Board's authority is allowed to be delegated only to personnel authorised by the Board at the relevant meeting of the Board of Directors.

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
5. Risk management	Incomprehensive policies and procedures on risk assessments within the Group.	<p>c. The authority and scope of power of the South African subsidiaries of the Group has been established and approved by its board.</p> <p>a. Policies and procedures on risk assessment and reporting of the Group have been enhanced and approved by the Board.</p>
	Incomprehensive whistle blowing policy.	<p>b. Risk assessment was carried out and a risk control register which documented the risks identified by the Company and the corresponding action plans was established and approved by the Board on 17 January 2014.</p> <p>a. The Group's "Whistle Blowing Policy" has been enhanced and approved by the Board.</p> <p>b. The Group's staff have signed confirmations of undertaking of the Whistle Blowing Policy.</p> <p>c. No sample of investigation report is available as there were no reported cases during the Internal Control Review.</p>

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
6. Internal audit	<p>Incomprehensive financial reporting and disclosure policies and procedures.</p> <p>Lack of independence on the mechanism for monitoring systems of internal controls and no formal policy/guidelines to monitor the review of internal control system.</p>	<p>The Group's "Financial Reporting and Disclosure Policies and Procedures" have been enhanced and approved by the Board.</p> <p>a. The Group's Internal Audit Policies including internal audit charter have been established and approved by the Board.</p> <p>b. The Board has assigned staff who are independent from operations and management control to carry out the internal audit function. The staff was under the supervision of a qualified and competent personnel and directly report to the Audit Committee of the Company.</p> <p>c. Internal audit plan was established and approved by the Audit Committee and the Board on 8 January 2014 and 17 January 2014, respectively. The internal audit work will be carried out according to the approved internal audit plan and a internal audit report will be prepared which will be reviewed and approved by the Audit Committee and the Board.</p>

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
7. Intangible asset management	Incomprehensive intangible assets (Mining Rights) policies and procedures governing the acquisitions and dispositions of intangible assets and their management (such as policies relating to the capitalisation, amortisation, periodic valuation and assessment of impairment of the intangible assets, registration and renewal of mining right and prospecting right).	The Group's "Intangible Assets Management Policies and Procedures" has been enhanced and approved by the Board.
8. Project management	Incomprehensive project management policies and procedures relating to areas such as risk assessment, project monitoring, valuation, capitalisation of project expenditures and periodic performance review for mining projects and the review and approval procedures regarding the closure, abandonment and change of projects.	The Group's Project Management Policy has been enhanced and approved by the Board.
9. Document management	Incomprehensive policies and control procedures in respect of execution of significant contracts and document management.	a. The Company's Contract Management Policy has been enhanced and approved by the Board.

CORPORATE GOVERNANCE *(Continued)*

Compliance with Code on Corporate Governance Practices *(Continued)*

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
		<p>b. The Company has maintained a register for all significant agreements entered into by the Company, which has to be reviewed by the Company's assistant company secretary and approved by the Company's Executive Directors based in Hong Kong. Since 4 October 2013, all records of review of significant agreements of the Company or advice given by legal professionals are required to be properly documented.</p> <p>c. A "Contract Tracking List" with pre-assigned sequential contract index has been established is required to be periodically reviewed by the Executive Legal of the South African subsidiaries.</p>
10. External communication mechanism	Incomprehensive external communication policies and procedures.	The Group's Continuous Disclosure Policy has been established and approved by the Board.
11. Investment evaluation mechanism	Incomprehensive investment management policies and procedures.	The Group's Investment Policy has been enhanced and approved by the Board.

CORPORATE GOVERNANCE *(Continued)*

Code Provision A.2.1 requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. As at 31 March 2013, the Company considered that vesting the roles of the chairman and the chief executive officer in the same individual, Mr. Li Ho Yin would facilitate the Group business strategies and maximize operation effectiveness. The Company has subsequently reviewed the structure and complied with the Code provision A.2.1 in April 2013 following appointment of Mr. Li Hok Yin and Mr. Christiaan Rudolph de Wet de Bruin as Co chairmen of the Company and Mr. Neil Andrew Herrick as Chief Executive Officer of the Company on 26 April 2013.

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

Both the Internal Control Consultant and the Directors are also of the view that the Group has established adequate internal control policies and procedures in all material respects, and the Group currently maintains an adequate and effective internal control system to meet its obligations under the Listing Rules. Since then, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiry to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim report.

CORPORATE GOVERNANCE *(Continued)*

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions as set out in the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee comprises three independent non-executive Directors, Mr. Chui Man Lung, Everett, Mr. Walter Thomas Segsworth (appointed on 19 August 2013) and Mr. Li Kam Chung. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group, and to review the Company's annual and interim reports.

The audit committee has also reviewed the Group's unaudited results for the six months ended 30 September 2012.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of shares or other listed securities of the Company or by any of its subsidiaries during the reporting period.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at www.hkexnews.hk under "Latest Listed Companies Information" and on the website of the Company at www.taunggold.com under "Investors' Relationship". The interim report of the Company containing all the information required by the Listing Rules will be published on the websites in due course.

By order of the Board

Li Hok Yin
Co-chairman

Christiaan Rudolph de Wet de Bruin
Co-chairman

Hong Kong, 29 April 2014