



GR Vietnam Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 139

Interim Report **2009/2010**

CORPORATE INFORMATION

Executive Directors

Wong Howard (*Chairman & Chief Executive Officer*)
Wong Yat Fai
Lam Sai Ho, Anthony

Independent Non-executive Directors

Tung Tat Chiu, Michael
Li Chi Ming
Wan Ngar Yin, David

Audit Committee

Tung Tat Chiu, Michael (*Chairman*)
Li Chi Ming
Wan Ngar Yin, David

Remuneration Committee

Li Chi Ming (*Chairman*)
Tung Tat Chiu, Michael
Wan Ngar Yin, David

Company Secretary

Szeto Pui Tong, Patrick

Auditors

Ernst & Young

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal

Place of Business

Room 1603-05
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Principal Share Registrar

Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.grvietnam.com

Stock Code

139

The Board of Directors (the “Board”) of GR Vietnam Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 (the “Period”) together with comparative figures for the corresponding previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	2		
Electronic products		6,432	23,453
Treasury investment		14,618	22,875
Others		2,003	–
		23,053	46,328
Cost of electronic products sold		(6,266)	(23,248)
Brokerage and commission expenses		(523)	(431)
Others		(1,518)	–
		(8,307)	(23,679)
		14,746	22,649
Other income and gains	3	624	1,481
Selling and distribution costs		(164)	(76)
Administrative expenses		(16,458)	(14,408)
Other operating expenses		(35)	(1,753)
Impairment of available-for-sale equity investments		–	(6,777)
Fair value losses, net:			
Equity investments at fair value through profit or loss		(23,330)	(182,462)
Finance costs	5	(8,860)	(3)
LOSS BEFORE TAX	4	(33,477)	(181,349)
Tax	6	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		(33,477)	(181,349)
DIVIDEND	7	–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK(1.19) cents	HK(6.42) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	(33,477)	(181,349)
Exchange differences on translation of foreign operations	(76)	(99)
Fair value gains/(losses) on available-for-sale investments	5,638	(5)
Income tax	(930)	–
	4,708	(5)
Other comprehensive income/(loss) for the period, net of tax	4,632	(104)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	(28,845)	(181,453)

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		2,298	2,027
Prepaid land lease payment		–	–
Convertible notes – loan portion		46,044	46,663
Available-for-sale equity investments	9	19,031	13,392
Total non-current assets		67,373	62,082
CURRENT ASSETS			
Convertible notes – Conversion option derivative		491	491
Equity investments at fair value through profit or loss	10	143,793	163,369
Inventories	11	488	437
Trade receivables	12	631	688
Prepayments, deposits and other receivables		3,837	6,123
Pledged time deposits		7,328	7,323
Cash and cash equivalents		149,480	153,724
Total current assets		306,048	332,155
CURRENT LIABILITIES			
Trade payables	13	84	77
Tax payable		11	11
Other payables and accruals		7,524	9,290
Total current liabilities		7,619	9,378
NET CURRENT ASSETS			
		298,429	322,777
TOTAL ASSETS LESS CURRENT LIABILITIES			
		365,802	384,859
NON-CURRENT LIABILITIES			
Convertible bonds		179,181	170,323
Deferred tax liabilities		930	–
Total non-current liabilities		180,111	170,323
Net assets		185,691	214,536
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Issued capital	14	28,247	28,247
Equity component of convertible bonds		47,257	47,257
Reserves		110,187	139,032
Total equity		185,691	214,536

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Unaudited six months ended 30 September 2009									
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible bonds HK\$'000	Contributed surplus HK\$'000	Available-for-sale equity investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2009	28,247	701,055*	12,960*	556*	47,257	551,174*	-*	(1,002)*	(1,125,711)*	214,536
Loss for the period	-	-	-	-	-	-	-	-	(33,477)	(33,477)
Other comprehensive income for the period	-	-	-	-	-	-	4,708	(76)	-	4,632
At 30 September 2009	28,247	701,055*	12,960*	556*	47,257	551,174*	4,708*	(1,078)*	(1,159,188)*	185,691

	Unaudited six months ended 30 September 2008									
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible bonds HK\$'000	Contributed surplus HK\$'000	Available-for-sale equity investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2008	28,247	701,055	12,960	556	47,257	551,174	104	(527)	(845,004)	495,822
Loss for the period	-	-	-	-	-	-	-	-	(181,349)	(181,349)
Other comprehensive income for the period	-	-	-	-	-	-	(5)	(99)	-	(104)
At 30 September 2008	28,247	701,055	12,960	556	47,257	551,174	99	(626)	(1,026,353)	314,369

* These reserve accounts comprise the consolidated reserves of HK\$110,187,000 (31 March 2009: HK\$139,032,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,504)	(65,340)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(670)	(1,538)
DECREASE IN CASH AND CASH EQUIVALENTS	(4,174)	(66,878)
Cash and cash equivalents at beginning of period	161,047	251,286
Effect of foreign exchange rate changes, net	(65)	(98)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	156,808	184,310
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	133,087	8,633
Non-pledged time deposits with original maturity of less than three months when acquired	16,393	168,349
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	7,328	7,328
	156,808	184,310

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These condensed consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee (the "Audit Committee").

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2009 except for the adoption of the following amendment mandatory for accounting periods beginning on or after 1 January 2009:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>

The Group has assessed the impact of the adoption of the above new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and concluded that there was no significant impact on the Group’s results and financial position, except for the followings:

(a) HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8: Operating Segments

HKFRS 8, which replaces HKAS 14 “Segment Reporting” specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. The adoption of this standard has no effect on the financial position or results of operations of the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRSs Amendments	<i>Improvements to HKFRSs May 2009</i> ¹
HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs</i> ²
HKFRS 1 Amendments	<i>Additional Exemptions for First-time Adopters</i> ⁴
HKFRS 2 Amendments	<i>Group Cash-settled Share-based Payment Transactions</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ²
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ³

- ¹ Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- ² Effective for annual periods beginning on or after 1 July 2009
- ³ Effective for transfers of assets from customers received on or after 1 July 2009
- ⁴ Effective for annual periods beginning on or after 1 January 2010

2. Segment information

For the management purpose, the Group is currently organized in three operating divisions – electronic products, treasury investment and corporate & others. An analysis of the Group's revenue and results by business segments for the Period and the corresponding previous period is as follows:

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment Revenue:								
Revenue from external customers	6,432	23,453	-	-	2,003	-	8,435	23,453
Gains from treasury investment	-	-	14,618	22,875	-	-	14,618	22,875
Total	6,432	23,453	14,618	22,875	2,003	-	23,053	46,328
Segment results	(1,107)	(1,304)	(15,095)	(173,202)	(6,188)	(8,179)	(22,390)	(182,685)
Interest income and unallocated revenue							19	1,481
Unallocated expenses							(2,246)	(142)
Loss from operating activities							(24,617)	(181,346)
Unallocated finance costs							(8,860)	(3)
Loss before tax							(33,477)	(181,349)
Tax							-	-
Loss for the period							(33,477)	(181,349)

3. Other income and gains

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	19	1,469
Others	605	12
	624	1,481

4. Loss before tax

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	392	91

5. Finance costs

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts wholly repayable within five years	1	3
Imputed interest on convertible bonds	8,859	–
	8,860	3

6. Tax

No Hong Kong profits tax has been provided during the Period (2008: Nil) as the Group did not derive any assessable profit attributable to its operation in Hong Kong.

No provision for tax in the Mainland China has been made during the Period (2008: Nil) since no assessable profits has been generated by the subsidiaries operating in the Mainland China.

7. Dividend

The Board has resolved not to pay any interim dividend for the Period (2008: Nil).

8. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share amounts is based on the loss attributable to ordinary equity holders of the Company for the Period of HK\$33,477,000 (2008: HK\$181,349,000) and the weighted average number of 2,824,643,047 (2008: 2,824,643,047) ordinary shares.

Diluted loss per share amount for the periods ended 30 September 2009 and 2008 have not been disclosed, as the share options and the convertible bonds outstanding during the periods ended 30 September 2009 and 2008 had an anti-dilutive effect on the basic loss per share for these periods.

9. Available-for-sale equity investments

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Listed equity investments, at fair value:		
Hong Kong	345	254
Elsewhere	18,686	13,138
	19,031	13,392

10. Equity investments at fair value through profit or loss

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	143,793	163,369

11. Inventories

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Finished goods	488	437

12. Trade receivables

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Trade receivables	631	688

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of one month, extending up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

Ageing analysis:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within 1 month	631	686
1 to 2 months	–	2
	631	688

13. Trade payables

Ageing analysis:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within 1 to 2 months	34	29
Over 3 months	50	48
	84	77

14. Share capital

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Authorised		
– 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid		
– 2,824,643,047 ordinary shares of HK\$0.01 each	28,247	28,247

15. Related party transactions

During the Period, the Group had no related party transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the Period was HK\$23.1 million, representing a decrease of HK\$23.3 million or 50.2% as compared with the corresponding period of last year. The decrease in revenue was mainly due to the decrease of HK\$17.0 million in sales revenue of electronic products. The loss for the Period was HK\$33.5 million, compared to the loss of HK\$181.3 million for the corresponding period of last year. Loss per share for the Period was HK1.19 cents (2008: Loss per share of HK6.42 cents). The Group's loss for the Period was primarily attributable to an unrealized loss on equity investments of HK\$23.3 million (2008: HK\$182.5 million) in the treasury investment segment.

During the Period, the financial market in Vietnam gradually stabilized following a series of fiscal stimulus measures initiated by the Vietnamese Government. The GDP growth rate reached 4.5%, the inflation rate decreased to 2.5% and the prime interest rate was kept at 7% in the third quarter of 2009. These positive economic indicators show that Vietnam's fiscal stimulus package to restore the economy and maintain the stability of the financial markets was taking effect.

Due to the outbreak of the financial crisis in Vietnam last year, the Group had decided to put on hold aggressive development plans for convenience store openings and to focus on maintaining a limited number of stores in high traffic locations in commercial and tourist areas of Ho Chi Minh City. During the Period, the Group continued to put efforts into operating the convenience stores under the Circle K brand. At the start-up stage of this operation, the Group launched innovative promotions to increase customer awareness and retail market recognition. In August 2009, the Group opened another Circle K store, increasing the total number of its Circle K stores in Vietnam to six.

The electronic product trading business continued to slow down amidst the sluggish sales demand and the difficult operating environment. During the Period, sales revenue from electronic product trading decreased by HK\$17.0 million, or 72.6% to HK\$6.4 million. This segment recorded an operating loss of HK\$1.1 million, representing a decrease of HK\$0.2 million or 15.1% from the corresponding period of last year. To strengthen the electronic product trading business, the Group has developed and brought in more new innovative products to enrich our existing product range.

The Group continued to utilise its available funds in treasury investment. During the Period, the global financial markets and economies stabilized as a result of monetary and fiscal measures taken by governments. In Hong Kong, local stock market sentiment and investor confidence gradually strengthened. With the influx of investment funds, Hang Seng Index has been moving upward from its trough. During the Period, the treasury investment segment was making income and gains of HK\$14.6 million and recorded a loss of HK\$15.1 million, including an unrealized loss of HK\$23.3 million on equity investments.

During the Period, the Group continued its diversification strategy to look for potential investment opportunities with high growth and earning prospects. Taking advantage of new business opportunities arising from new microprocessor technology, the Group has started to dedicate efforts and allocate resources to research and development of the design of the stream processor. During the Period, the Group was working diligently on the project with a team of top experts from US Silicon Valley in the area of architecture and design of stream processor. With the concerted efforts of the working team, this project was on track and making positive progress.

Prospects

As the economy and financial markets in Vietnam have been hard hit by the global financial turmoil, the challenges posed by the decline in export, capital inflow and foreign direct investments will continue for the year to come. In response to the challenging market conditions and economic uncertainties, the Group will continue to operate the existing convenience chain stores business with an effective cost structure. Since the concepts of convenience chain stores business in Vietnam is new and the retails market to foreign investors has not been fully opened, the Group has been actively considering the repositioning and restructuring of this existing business.

Looking ahead, as repercussions of the global financial turmoil and economic uncertainties will persist, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

Financial Review

The Group's revenue for the Period was HK\$23.1 million, representing a decrease of HK\$23.3 million or 50.2% as compared with the corresponding period of last year. The Group's revenue mainly comprised the sales revenue of electronic product trading of HK\$6.4 million and income and gains of HK\$14.6 million from treasury investment.

The loss for the Period was HK\$33.5 million. With new HKFRS taking effect from 1 January 2009, fair value gain or loss on available-for-sale investments and the exchange differences on translation of foreign operations, previously recognized in a reserve account, have been taken into account to arrive at total comprehensive income or loss attributable to shareholders of the Company. Gain on available-for-sale investments less deferred tax and loss on exchange differences on translation of foreign operations of the Group for the Period was HK\$4.7 million and HK\$0.08 million respectively. Therefore, the total comprehensive loss attributable to ordinary equity holders of the Company for the six months ended 30 September 2009 was HK\$28.8 million compared to the total comprehensive loss of HK\$181.5 million for the corresponding period of last year. As at 30 September 2009, the Group's consolidated net asset value was HK\$185.7 million (31 March 2009: HK\$214.5 million). The Group maintained a strong liquid position and nil of bank borrowings.

Liquidity and Financial Resources

During the Period, the Group generally financed its operations with internally generated cash flow, cash reserve and banking facilities. The Group's bank and short term deposits as at 30 September 2009 amounted to HK\$156.8 million (31 March 2009: HK\$161.0 million).

As at 30 September 2009, the Group had no bank overdrafts, short or long term interest-bearing bank borrowings (31 March 2009: Nil).

As at 30 September 2009, the Group's current ratio was 40.3 times (31 March 2009: 35.3 times) based on current assets of HK\$306.0 million (31 March 2009: HK\$332.2 million) and current liabilities of HK\$7.6 million (31 March 2009: HK\$9.4 million).

As at 30 September 2009, the Group had capital commitments for capital contribution to a joint venture company of HK\$15.3 million (31 March 2009: HK\$15.3 million). Apart from that, the Group had no other contingent liabilities or other material commitments.

Capital Structure

As at 30 September 2009, the Group's gearing ratio, being convertible bonds payable to net worth and convertible bonds payable was 49.1% (31 March 2009: 44.3%).

The Group's bank deposits are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the Group's exchange risk exposure is minimal.

Significant Investments

As at 30 September 2009, the Group held convertible notes issued by a company listed on the Stock Exchange with a fair value amount of the conversion option derivative of HK\$0.5 million and a carrying amount of the loan portion of HK\$46.0 million. The carrying amount of the loan portion approximated to its fair value. The interest income for the Period was HK\$0.6 million.

As at 30 September 2009, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with a total carrying amount of HK\$162.8 million. The related dividend income for the Period was HK\$18.6 million and the loss on disposal of equity investments at fair value through profit or loss was HK\$4.6 million.

Details of Charges on Assets

As at 30 September 2009, a fixed deposit of HK\$7.3 million (31 March 2009: HK\$7.3 million) was pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

During the Period, the Company had no material acquisitions or disposals of subsidiaries or associates.

Employment, Training and Development

As at 30 September 2009, the Group had a total of 122 employees of which 28 were based in Hong Kong, 28 based in Mainland China and 66 based in Vietnam. The Group is committed to staff training and development and structured training programs for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to employees according to individual performance and industry practice.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2009, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital [#]
Mr. Wong Howard	Beneficial owner	21,299,000	0.75%
Mr. Wong Yat Fai	Beneficial owner	21,299,000	0.75%

(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of share options granted	Percentage of the underlying shares over the Company's issued share capital [#]
Mr. Wong Howard	Beneficial owner	28,200,000	0.99%
Mr. Wong Yat Fai	Beneficial owner	28,200,000	0.99%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed under the paragraph headed "Share Option Scheme" below.

[#] The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 September 2009.

In addition to the above, Mr. Wong Howard and Mr. Wong Yat Fai hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying the previous requirement of having a minimum of two shareholders.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executives of the Company had interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the 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 Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) adopted on 27 August 2003 for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group’s operation.

A summary of movements of the share options granted under the Scheme during the Period is set out below:

Name or category of participant	Number of share options outstanding at 1 April 2009	Number of share options granted during the Period***	Number of share options lapsed during the Period	Number of share options exercised/cancelled during the Period	Number of share options outstanding at 30 September 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options** (HK\$ per share)
Director								
Mr. Wong Howard	16,300,000	-	(16,300,000)	-	-	13/8/2007	13/8/2007-12/8/2009	0.357
	-	9,400,000	-	-	9,400,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	-	9,400,000	-	-	9,400,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	-	9,400,000	-	-	9,400,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	16,300,000	28,200,000	(16,300,000)	-	28,200,000			
Mr. Wong Yat Fai	16,300,000	-	(16,300,000)	-	-	13/8/2007	13/8/2007-12/8/2009	0.357
	-	9,400,000	-	-	9,400,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	-	9,400,000	-	-	9,400,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	-	9,400,000	-	-	9,400,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	16,300,000	28,200,000	(16,300,000)	-	28,200,000			

Name or category of participant	Number of share options outstanding at 1 April 2009	Number of share options granted during the Period***	Number of share options lapsed during the Period	Number of share options exercised/cancelled during the Period	Number of share options outstanding at 30 September 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options** (HK\$ per share)
	Other employees	24,430,000	-	(24,430,000)	-	-	13/8/2007	13/8/2007-12/8/2009
In aggregate	-	35,770,000	-	-	35,770,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	-	35,590,000	-	-	35,590,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	-	35,410,000	-	-	35,410,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	24,430,000	106,770,000	(24,430,000)	-	106,770,000			
Other participant	16,300,000	-	(16,300,000)	-	-	13/8/2007	13/8/2007-12/8/2009	0.357
	73,330,000	163,170,000	(73,330,000)	-	163,170,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The closing price of the Company's shares immediately before the date of offer and the date of grant were HK\$0.126 and HK\$0.138 respectively.

The fair value of the equity-settled share options granted during the period ended 30 September 2009 was estimated by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using the black-scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the equity-settled share options granted was HK\$13,781,000. During the Period, a total of 163,170,000 share options was granted under the following 3 tranches:

- Tranche 1 – 54,570,000 share options, which are exercisable for the period from 1 January 2010 to 30 June 2012.
- Tranche 2 – 54,390,000 share options, which are exercisable for the period from 1 July 2010 to 30 June 2012.
- Tranche 3 – 54,210,000 share options, which are exercisable for the period from 1 January 2011 to 30 June 2012.

The following table lists the inputs to the valuation model used:

	Tranche 1	Tranche 2	Tranche 3
Dividend yield (%)	N/A	N/A	N/A
Expected volatility (%)	124.28	121.80	120.88
Historical volatility (%)	124.28	121.80	120.88
Risk-free interest rate (%)	0.44	0.52	0.62
Share price at grant date (HK\$)	0.14	0.14	0.14

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 September 2009, the following persons had interests of 5% or more of the Company's issued share capital as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares held/interested	Percentage of the Company's issued share capital [#]
Golden Resources Development International Limited	Long	Interest held by controlled corporations	680,000,000 (Note)	24.07%
High Super Enterprises Limited	Long	Beneficial owner	680,000,000 (Note)	24.07%

Note: Golden Resources Development International Limited was deemed to be interested in 680,000,000 shares of the Company reported by High Super Enterprises Limited, a corporation wholly controlled by Golden Resources Development International Limited indirectly.

[#] The percentage represents the number of ordinary shares held/interested divided by the number of the Company's issued shares as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, no other persons had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2009.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Period except that there is no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code. Mr. Wong Howard currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the Period and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, namely, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Wan Ngar Yin, David, all of whom are independent non-executive directors of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the requirements set out in the Model Code and Own Code during the six months ended 30 September 2009.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2009.

On behalf of the Board
Wong Howard
Chairman

Hong Kong, 1 December 2009