UP ENERGY

UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 307)

2011
Annual Report

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Qin Jun *(Chairman & Chief Executive Officer)*
Jiang Hongwen *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTOR

Chau Shing Yim, David

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Bao Guo
Lien Jown Jing, Vincent
Shen Shiao-Ming

COMPANY SECRETARY

Foo Man Yee, Carina

AUDITOR

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2704, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

Tel: (852) 2972 9900
Fax: (852) 2527 8522
E-mail: info@upenergy.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.irasia.com/listco/hk/upenergy/
www.upenegry.com

STOCK CODE

307

Chairman’s Statement

“The Group aims at becoming a specialized and integrated group with a leading position in coking industry of Northwestern China regions.”



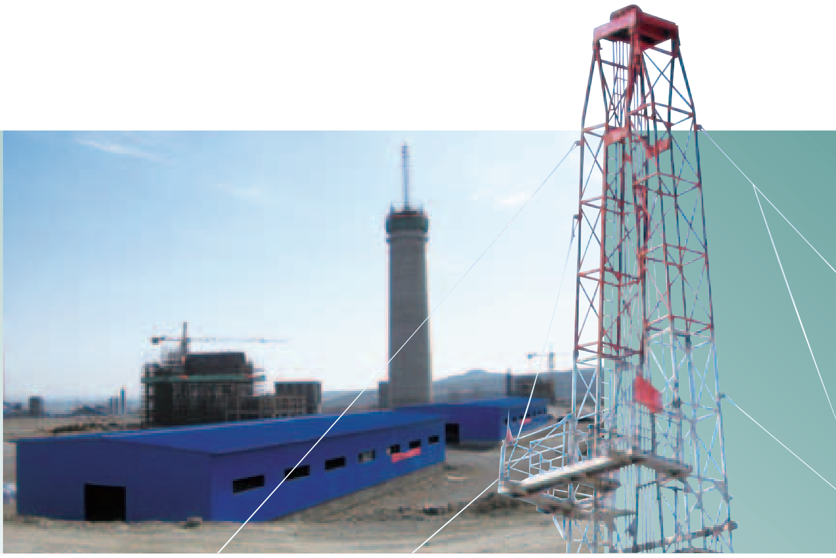



Chairman's Statement

On behalf of the board of directors (the "**Board**") of Up Energy Development Group Limited (the "**Company**"), I hereby present the annual report of the Company and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2011.

2010 is a year of great change to the Group. In recent years, in view of the unsatisfactory performance of the original business segments, namely Multi-media Product Trading and Broadcasting and Content Production, the Group had been seeking opportunities of development or acquisition of new businesses to create a perpetual value for its shareholders. In the 2010 financial year, the Group kept its word by disposing of the under performing segment of Broadcasting and Content Production on the one hand. On the other hand, witnessing the strong growth of domestic demand for coking coal, the Group believes that its expansion into the coal mining business will provide significant opportunities for the Group's business growth. Therefore, the Group entered into an acquisition agreement with Up Engery Holding Limited on 22 July 2010 to acquire its subsidiary, Up Energy Investment (China) Ltd., and the mining assets of this subsidiary in Xinjiang. The acquisition was completed on 18 January 2011 and the Group's business scope formally extended to the coal business. The mines and relevant plants and ancillary facilities are currently under construction and are expected to be completed and to commence production in succession in 2012. The Group will then be one of the largest integrated energy group with the scale of cyclic economy in the coking industry in northwestern China in terms of planned production capacity.

Upon completion of the acquisition, the Group has made active preparations for the development of its coal business. First of all, the Company changed its name from "Tidetime Sun (Group) Limited（泰德陽光（集團）有限公司）" to "Up Energy Development Group Limited（優派能源發展集團有限公司）". Moreover, the Group has endeavoured to recruit management experts with extensive industry experience and has formed strategic partnerships with a number of companies, such as Pingan Coal Mine and Gas (Methane) Engineering Research Ltd., the CCB Group (comprising of CCB International (Holdings) Limited, China Construction Bank Xinjiang Branch and China Construction Bank Hong Kong Branch), the ICBC Group (comprising of ICBC International Holdings Limited and Industrial and Commercial Bank of China Xinjiang Branch) and Baosteel Resources Co., Ltd. The scope of cooperation covers mine planning, finance and sharing of technology, etc. The Board believes that the joining of new management and the formation of partnerships will lay a firm foundation for the Group's future success in the coal industry. On 10 June 2011, the Group passed the on-site review of China Quality Certification Center and was accredited with ISO9001:2008. The Board believes that the quality of the Group's operation and management activities will be enhanced by continuously improving and strengthening its internal control.



Looking forward, with the concept of "increased value in circulation", the Group will run a upstream and downstream industry chain project of circular economy relating to coking coal resources actively and steadily and will invest in the development of chemical by-products produced during the coking coal making process to enhance its profitability. Sticking to the principle of low-cost expansion, the Group will seek actively to participate in the resource consolidation and mergers and acquisitions of the coking coal industry and the energy sphere in Xinjiang, provinces in northwestern China and regions of other parts of the world, and aims at becoming a specialised and integrated energy group with a leading position in the coking industry of northwestern China regions. The Group will also seek investment opportunities in overseas.

On the other hand, with our business expanded, the Board will review the allocation of resources among different business segments from time to time. With internationalisation and globalisation perspectives, the Group will also strive to minimise risks and challenges which it may face in the course of development, so as to ensure that the overall business development of the Group is line with the principle of maximising the interests of the Group and all shareholders. The Board will also from time to time consider different alternatives to further strengthen the Group's capital base.

The Group underwent substantial changes in the past year. On behalf of the Board, I would like to express my sincere gratitude to the management and staff for their unremitting efforts, and to all shareholders for their great support, which contributed to the success of the acquisition and business expansion of the Group.

Qin Jun
Chairman

Hong Kong, 20 June 2011

On 18 January, 2011, the Group completed the acquisition of the entire interests in its subsidiary, Up Energy Investment (China) Ltd., from Up Energy Group Limited for a total consideration of HK$7.8 billion. Particulars of the interests acquired are set out in note 30 to the consolidated financial statements on page 95. HK$20 million of the consideration was satisfied by cash and remaining balance of HK$7.78 billion was satisfied by the issue of two tranches of 5-year non-interest bearing convertible notes with conversion price of HK$0.10 each. Besides, the Company has also issued the third tranche of convertible notes with substantially the same terms of an amount of HK$520 million, and Up Energy Group Limited has subscribed the above in cash. For more details, please refer to circular dated 26 November 2010 and the supplemental circular dated 20 December 2010. The Company completed the 20 in 1 share consolidation on 12 May 2011. Since then, the conversion price of the above convertible shares has been adjusted to HK$2.00 (subject to further adjustment, if any).

On 14 February 2011, the Company changed its name from "Tidetime Sun (Group) Limited" to "Up Energy Development Group Limited", which marked the starting point of the Group's new journey. Led by the new management, the Group will spare no effort to expand to coal mining and trading businesses with Xinjiang of the People's Republic of China (the "**PRC**") as its principal investment base.

INDUSTRY OVERVIEW

The three coal mines indirectly held by the Group, namely the Quanshuigou Mine, the Shizhuanggou Mine and the Xiaohuangshan Mine (collectively, the "**Mines**"), are all located in Xinjiang of PRC. The Group also intends to sell substantially all of the coal and coke in Xinjiang of the PRC and the northwestern China regions. Therefore, it is expected that the operating environment of such regions will directly affect the Group's coal business.

The PRC government has announced its "12th Five Years Plan" and intends to invest more than RMB2 trillion in fixed assets in Xinjiang to accelerate the region's economic development and to spend more than RMB310 billion in the next decade to expand Xinjiang's railway network, the demand for steel, coking coal and coke is expected to increase significantly.

However, the coking coal supply in Xinjiang cannot currently meet the coking coal demand of the region and is expected not to be able to meet the coking coal demand of the region in the near term. According to the forecast of Shanxi Fenwei Energy Consulting Co., Ltd ("**Fenwei**", a provider of consulting services to the Chinese coal industry), the supply-demand gap of coking coal in Xinjiang will continue to widen in the coming years and by 2015, the demand for coking coal is forecast to be 24.82 Mt while the output is forecast to be only 13.88 Mt, thereby widening the gap to 10.94 Mt. At the same time, the demand for coke in Xinjiang is forecast to almost double from 2010 to 2015, rendering the coke production in Xinjiang unable to meet the coke demand.

According to the forecast in Fenwei's report, driven by the PRC government's regional economic stimulus plan, the demand-supply gap of coking coal and coke will continue to widen and the prices of coking coal will rise. Furthermore, as the prices of coking coal and coke in Xinjiang are currently relatively low compared to other regions of PRC, there will be relatively greater scope for price rise in coking coal and coke in Xinjiang, as compared to prices nationally.

BUSINESS REVIEW

Coal Mining and Trading

Coal Resources and Reserves

As at 31 March 2011, the Group had a total of 251.15 Mt of JORC-compliant measured, indicated and inferred coal resources and a total of 70.24 Mt of JORC-compliant proved and probable marketable coal reserves. In addition, the potential coal resources of the Shizhuanggou Mine and the potential marketable coal reserves of the Quanshuigou Mine are 156.59 Mt and 51.94 Mt respectively.

As of 31 March 2011, the JORC-compliant measured, indicated and inferred coal resources of the Group are categorised as follows:

Category	Total Resources (million tonnes)
Measured	148.51
Indicated	61.20
Inferred	41.44
Total	251.15

As at 31 March 2011, the JORC-compliant proved and probable marketable coal reserves are categorised as follows:

Category	Total Reserves (million tonnes)
Proved	51.96
Probable	18.28
Total	70.24

Business Development

During the 2011 financial year ("**FY2011**"), the Mines and relevant projects and facilities were still under construction and no mining activity was conducted. The Mines and relevant projects and facilities are expected to be completed and to commence production in 2012 with a planned annual production capacity of 3.08 Mt. To ensure smooth implementation of the plan, the Group has made active preparations in various aspects.

In October 2010, the Group commenced the supplementary exploration of the Xiaohuangshan Mine. The supplementary exploration aims at investigating the geological structure of the areas around the northern boundary and F_5 fault of the Mine and the area south of the fault in order to meet the needs of the capacity plan and construction of the Xiaohuangshan Mine. The exploration also aims to upgrade the inferred resources in the original technical report to measured or indicated resources so as to provide a more accurate geological basis for shaft construction. As of 31 March 2011, the Group has drilled and logged 623-meter coal exploration core hole and plans to drill and log 13 more holes, totaling 7,799 meters, which upon completion of supplemental exploration work, are expected to have positive and significant impact on the resources and reserves of the Xiaohuangshan Mine.

The Group considers safety important and critical to mining operation of coal. To ensure safe operation of the Mines and better protection of the environment, 2 subsidiaries of the Company, namely Up Energy (Xinjiang) Mining Ltd. and Up Energy (Fukang) Coal Mining Ltd. entered into a framework agreement with Pingan Coal Mine And Gas (Methane) Engineering Research Ltd. (the "**Consultant**"), pursuant to which the Consultant team, led by Mr. Yuan Liang (a prestigious expert in the industry, the Academician of China Academy of Engineering and the professor of China University of Mining and Technology), will provide certain consultation services to the three Mines of the Group. Such consultation services will cover the areas including the design and planning, environmental protection and safety, exploration and exploitation of the Mines, etc. The Board hopes that the Consultant team could set a safety and technical standards higher than those of the regulatory authorities to ensure smooth and safe operation of the Mines.

In addition, the Board considers continuous support by financial services groups essential for the future development of the Group. On 16 March 2011, the Group separately entered into two financial cooperative agreements with two of the largest financial services groups in PRC. One of the financial cooperative agreements was entered into between CCB International (Holdings) Limited, China Construction Bank Xinjiang Branch, China Construction Bank Hong Kong Branch (collectively, "**CCB Group**") and the Company. The other financial cooperative agreement was entered into between ICBC International Holdings Limited, Industrial and Commercial Bank of China Xinjiang Branch (collectively, "**ICBC Group**") and the Company. The two financial cooperative agreement provide a framework for the Company to obtain different kinds of financial services from the two financial services groups, including but not limited to financial advisory services, fund raising, merger and acquisition financing, foreign exchange and other general banking and financial services. The Board believes that the financial cooperative agreements will strengthen the Group's relationships with the CCB Group and the ICBC Group.

To enhance the Group's competitiveness in the coal business, on 23 March 2011, the Company entered into a non-binding strategic cooperative memorandum with Baosteel Resources Co., Ltd. ("**Baosteel**"), pursuant to which the parties intend to strengthen their cooperation in certain areas, including (i) sharing of technology in coking coal production and processing, (ii) logistics and transportation, (iii) sales and marketing, (iv) supply and distribution of products, (v) assessment and exploration of investment opportunities for mining assets in China, North America and other countries, and (vi) up-stream resources acquisition and downstream product processing. Baosteel is a wholly-owned subsidiary of Baosteel Group Corporation, an operator in the iron and steel industry in China, and is engaged in businesses of investment, trading and logistic services in relation to iron ores, coals, and other metals. The Board believes that the strategic cooperation with Baosteel will enhance the Group's competitiveness in the abovementioned business areas.

To strength the Group's internal control, the Group's subsidiaries in China passed the on-site review of China Quality Certification Center and was accredited with ISO9001:2008 on 10 June 2011. The Board believes that the quality of the Group's operation and management activities will be enhanced by continuously improving and strengthening its internal control.

Multi-media Product and Component Trading

During FY2011, due to keen market competition and price pressure experienced by our products, turnover contributed by this continuing operating business segment amounted to HK$26,077,000, representing a decrease of 65% from HK$74,454,000 for the 2010 financial year ("**FY2010**"). The net loss of this segment was HK$50,000, representing a decrease as compared with the net loss of HK$60,000 for FY2010. Gross profit decreased from HK$594,000 in FY2010 to HK$359,000 in FY2011.

Discontinued Operation

The Company disposed of its entire 80% interest in a subsidiary, STR Media Limited, on 16 July 2010. The principal asset of STR is 60% equity interest in a subsidiary, Shanghai New Culture TV and Radio Making Company Limited, which is engaged in the business of broadcasting and content production and VCD trading.

Disposal of Inactive Subsidiaries

As part of the Group's restructuring, during the year, the Group has disposed of 4 other subsidiaries that were inactive. These four subsidiaries were Trend Advertising Company Limited, Tidetime Future Optical Media Technology Ltd, Treasurepoint Limited and China Giant Investments Limited. These 4 subsidiaries did not generate any turnover for the Group during the year, nor they held any material assets of the Group in consolidated basis.

PROSPECT

The Group will strive to leverage on the economic stimulus plan of Xingjiang, China and will try its best to narrow the supply-demand gap of coal in Xinjiang, China and endeavour to secure a leading position in the local coking industry.

In the short term, the Group expects that the PRC and Xinjiang economies and steel industries will continue to grow, which will further stimulate the demand for coking coal and coke. In addition, the consolidation trend in mining industry will result in a shortage of supply and the prices of coking coal and coke will continue to rise. The Board expects that the Group will benefit from the above and its financial performance can be improved significantly once the Mines commence production.

In the long run, the Group will grasp every opportunity brought by the PRC government's rationalisation policy on the coal industry and exert its advantage of sizable planned production capacity to expand its coal reserves and its scale of mining activities through selective acquisitions and consolidations in the region and to establish a leading position in the local coal industry. Furthermore, the Group will proactively seek other investment opportunities in overseas and strengthen our capital base.

FINANCIAL REVIEW

Turnover

Turnover from continuing operations decreased by 65%, from HK$74,454,000 in FY2010 to HK$26,077,000 in FY2011. This decrease was primarily due to keen competition and the lack of product variety in the multi-media product and component trading business.

Cost of Sales

Cost of sales from continuing operations decreased by 65%, from HK$73,860,000 in FY2010 to HK$25,718,000 in FY2011. This decrease was mainly due to the Group's corresponding decrease in sales volume.

Gross Profit

Gross profit from continuing operations decreased by 40%, from HK$594,000 in FY2010 to HK$359,000 in FY2011. Gross profit margin increased from 0.8% in FY2010 to 1.4% in FY2011. The change is due to different mix of products sold.

Other Income and Gains, Net

Other income and gains, net decreased by 19.7% from HK$14,631,000 in FY2010 to HK$11,751,000 in FY2011. The decrease was primarily attributable to realised and unrealised gains relating to trading securities of HK$12,490,000 and the net amount of bad debt recovery after deducting debt collection costs of HK$1,800,000 in FY2010. The gain on disposal of subsidiaries of HK$11,731,000 is recorded in FY 2011.

Gain on Bargain Purchase

On 18 January 2011, the Group acquired the 100% issued shares of Up Energy Investment (China) Ltd. for a total consideration of HK$7.8 billion. The total consideration of HK$7.8 billion was satisfied by the Group in the following manner: (a) HK$20 million cash; (b) the Group issued two tranches of convertible notes, including the issue of the Tranche A convertible notes with a principal amount of HK$3,480,000,000 and the Tranche B convertible notes with a principal amount of HK$4,300,000,000.

The gain on bargain purchase of HK$985,024,000 represented the difference between the fair value of the net identifiable assets acquired and fair value of the cost of investment.

Distribution Costs

Distribution costs increased by 131%, from HK$419,000 in FY2010 to HK$969,000 in FY2011, primarily due to increased entertainment, overseas travelling and telephone and fax and other distribution costs.

Administrative Expenses

Administrative expenses increased by 206% from HK$6,119,000 in FY2010 to HK$18,735,000 in FY2011, primarily due to an increase in directors' remuneration, salaries, allowances, provident fund contributions, legal and professional fee and office expenses.

Finance Costs

Finance costs HK$5,000 in FY2010 to HK$8,448,000 in FY2011. The increase was primarily due to amortised interest expense on convertible notes in FY2011.

Profit before tax from continuing operations

For the aforementioned reasons, the Group's profit before tax from continuing operations increased by 109 times from HK$8,595,000 in FY2010 to HK$943,680,000 in FY2011.

Income Tax Expense

The Group recorded income tax expenses of HK$1,185,000 in FY2010 and our deferred income tax credit for FY2011 was HK$84,000.

Profit for the Year

The Group's profit for the year increased by HK$936,081,000, from HK$7,573,000 in FY2010 to HK$943,654,000 in FY2011. The increase was primarily due to the gain on bargain purchase of HK$985,024,000 in FY2011.

Charges on Assets

The Company has entered into a share charge in connection with the issue of the convertible notes of the Company. Pursuant to the share charge, the charge is created over (i) entire issued share capital of Up Energy Investment (China) Ltd., (ii) the entire issued share capital of Up Energy International Ltd; and (iii) the entire issued share capital of Up Energy (Hong Kong) Limited. All of the companies are wholly owned subsidiaries of the Company.

Save as above, the Group did not have any charges on assets as at 31 March 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group's current ratio was 18.7 (2010: 3.0), with current assets of approximately HK$1,348,561,000 (2010: HK$58,643,000) against current liabilities of approximately HK$71,987,000 (2010: HK$19,353,000). Cash and cash equivalents were approximately HK$1,257,526,000 (2010: HK$22,420,000). The Group's gearing ratio was 140% as at 31 March 2011 (2010: 0). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the year, and the Group continues to follow the practice of prudent cash management.

Treasury Policies

The Group adopts a balance funding and treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar ("**HK$**"), United States dollar ("**USD**") and Renminbi ("**RMB**"). The Group's financing requirements are regularly reviewed by the management.

Foreign Exchange Risk

Other than bank deposits made in HK$, USD and RMB, the Group is not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate significant impact on interest-bearing assets resulting from changes in interest rates because the interest rates of its bank deposits are not expected to change significantly.

Human Resources

As at 31 March 2011, the Group had a total of 175 employees (2010: 29) in PRC and Hong Kong. Employees' remuneration packages are reviewed and determined by reference to the market pay and individual performance. The staff benefits include contributions to mandatory provident fund, medical scheme and share option scheme.

The Directors presented their annual report and the audited consolidated financial statements for the year ended 31 March 2011.

CHANGE OF COMPANY NAME

With effect from 20 December 2010, the English name of Company has been changed from "Tidetime Sun (Group) Limited" to "Up Energy Development Group Limited", and the Chinese name of the Company from "泰德陽光(集團)有限公司" to "優派能源發展集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 14 February 2011.

Following the change of Company names, the English stock short name for trading in the shares of the Company on the Stock Exchange was changed from "Tidetime Sun" to "Up Energy Dev" in English and from "泰德陽光" to "優派能源" in Chinese with effect from 8 March 2011. The stock code of the Company remains as "307".

Details of the change of company name are set out in the announcements of the Company dated 25 November 2010 and the circular of the Company dated 26 November 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are coal mining and multi-media product and components trading.

The Company disposed of its entire 80% interests in STR Media Limited on 16 July 2010 and disposed its entire 100% interest in four other inactive subsidiaries during the year. The Company entered into an acquisition agreement on 22 July 2010 with Up Energy Holdings Limited and completed the acquisition of Up Energy Investment (China) Ltd. on 18 January 2011. During the year, the nature of the principal activities of the Group had been changed to include vertically-integrated coal operator whose planned operations consist of integrated upstream coal mining and preparation and downstream coking. Particulars of the Company's subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 36.

No interim dividend was declared (2010: Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

SHARE CAPITAL

Details of movements of the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 25 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the additional property, plant and equipment mainly for mine development and processing facilities construction of the Group approximately amounted to HK$95,052,000.

In addition, the Company entered into an acquisition agreement on 22 July 2010 with Up Energy Holding Limited, as supplemented by other three supplemental agreements, pursuant to which the Company acquired 100% of the issued shares of Up Energy Investment (China) Limited. The acquisition was completed on 18 January 2011.

Details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 104. This summary does not form part of the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, at 31 March 2011, the Company cannot distribute any of its reserves to the shareholders of the Company. Movements in reserves of the Group and the Company during the year and the distributable reserves of the Company as at 31 March 2011 are set out in note 29 to the consolidated financial statements.

CONNECTED TRANSACTION

The Directors of the Company confirm that during the financial year ended 31 March 2011, there were no connected transactions that need to obtain independent shareholders' approval nor to disclose in the annual report as required by Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group accounted for about 100% of the total revenue from continuing operation of the Group and the largest customer accounted for about 100% of the total revenue from continuing operation.

The aggregate purchases attributable to the Group's largest supplier and accounted for approximately 100% of the Group's total purchase from continuing operations for the year.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers and customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chen Ping (resigned on 10 March 2011)
Mr. Pu Fuzhong (resigned on 14 February 2011)
Ms. Ma Jian Ying (resigned on 10 March 2011)
Mr. Qin Jun (appointed on 19 January 2011)
Mr. Jiang Hongwen (appointed on 22 February 2011)
Mr. Chau Shing Yim, David (re-designated to Non-executive Director on 20 June 2011)

Independent Non-Executive Directors

Mr. Lau Kwok Kuen (resigned on 20 June 2011)
Mr. Lui Sai Wah (resigned on 22 February 2011)
Mr. Wong Siu Kang (resigned on 20 May 2011)
Mr. Li Bao Guo (appointed on 22 February 2011)
Mr. Lien Jown Jing, Vincent (appointed on 1 April 2011)
Dr. Shen Shiao-Ming (appointed on 20 May 2011)

Pursuant to Bye-laws 101 and 110(A) of the Company's Bye-laws, Mr. Qin Jun, Mr. Jiang Hongwen, Mr. Chau Shing Yim, David, Mr. Li Bao Guo and Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming will retire from office, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence to Rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule") and as at the date of this report still considers that all of the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2011, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are recommended by the Remuneration Committee, and decided by the Board, as authorised by shareholders in the annual general meeting, having regard to the Company's operating results, individual performance, experience, responsibility, workload and comparable market securities. No Director is involved in deciding their own remuneration.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme is set out under the heading "Share Option Scheme".

Details of the remuneration of Directors of the Group are set out in note 8 to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group during the year under review are set out in note 9 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE' INTERESTS

As at 31 March 2011, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or 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 Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long Position in Shares and Underlying Shares in the Company

Name of Director	Capacity	Nature of Interests	Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests in issued capital as at 31.3.2011
Qin Jun	Beneficiary of Trust	Long Position	1,145,882,430	54,241,741,910	55,387,624,340	905.26%
		Short Position		24,837,500,000	24,837,500,000	

Note: Mr. Qin Jun and his wife, Ms. Wong Jue, are the beneficiaries of the J&J Trust. J&J Trust is a discretionary trust found by Mr. Wang Mingquen, the father in-law of Mr. Qin. Accordingly, Ms. Wang Jue, is therefore taken to be interested in the relevant shares and short position by virtue of SFO.

Save as disclosed above, as at 31 March 2011, none of the Directors and the Chief Executive of the Company nor their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company maintains Share Option Scheme (the "Share Option Scheme" or the "Scheme") for the purpose of recognising the contribution of certain executive directors and employees of the Group and retaining them for the continual operation and development of the Group. The Share Option Scheme was approved by the shareholders on 29 October 2002 and had a life of 10 years from its adoption.

Under the Scheme, the Board may, at its discretion, offer to any employee (including any Non-executive Directors), consultants, advisers or customers of the Group, options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

(a) Purpose of the Scheme

The Company adopted the Share Option Scheme on 29 October 2002. The purpose of the Share Option Scheme is to provide incentives to:

- award and retain the participants who have made contributions to the Group; and
- attract potential candidates to serve the Group for the benefit of the development of the Group.

(b) Participants of the Scheme

Pursuant to the Share Option Scheme, the Company may grant options to any full-time or part-time employee of the Company and/or any its subsidiaries (the "Group"), including any non-executive director, suppliers, consultants, advisers or customers of the Group.

(c) Total number of shares available for issue under the Scheme

As at 31 March 2011, the total number of shares in respect of the Scheme may be granted under the Share Options Scheme is 17,655,111 shares (before the share consolidation).

On the Special General Meeting held on 12 May 2011, the shareholders approved the share consolidation on the basis of every twenty (20) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company into one ordinary share of HK$0.20 and the refreshment of Scheme Mandate Limit (as defined on the circular dated 21 April 2011).

After the refreshment of the Scheme Mandate Limit, the maximum number of shares that may be granted under the Scheme Mandate Limit will be 1,284,210,882 shares (before share consolidation), being 10% of the issued capital as at 12 May 2011. The Scheme Mandate Limit after share consolidation is 64,210,544 shares.

The maximum number of shares of the Company which may be issued upon exercise of outstanding options granted and yet to be exercised under the Scheme of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both exercised and outstanding options) in any 12 months period must not exceed 1% of the total number of shares of the Company in issue.

(e) Time of exercise of options

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination thereof. No minimum period for which the Option must be held before it can exercised is specified in the Share Option Scheme.

(f) The subscription price per share

The subscription price per share in respect of an option granted under the Share Option Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of a share of the Company on the date of offer.

(g) Payment on acceptance of options

A non-refundable sum of HK$1.00 by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Remaining life of the Scheme

The Share Option Scheme will be expired on 28 October 2012 and no further options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life on the Share Option Scheme may continue to exercise in accordance with the respective terms of issue.

During the financial year ended 31 March 2011, all the remaining options had been exercised and there are no outstanding granted options as at 31 March 2011.

As the date of this report, no option was granted by the Company subsequent to year ended 31 March 2011.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, so far as is known to the Directors, the following persons have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long and Short positions in the Shares and Underlying Shares

Name	Capacity	Nature of Interests	Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests in issued capital as at 31.3.2011	*Notes*
Cai Cheng	Corporate Interest	Long Position	1,445,882,430	76,035,051,520	77,480,933,950	1,266.36%	*2*
Golden Energy Holdings Limited	Interest to an agreement	Long Position	1,445,882,430	76,035,051,520	77,480,933,950	1,266.36%	*2*
Synergy Investment International Company Limited	Corporate Interest	Long Position	1,445,882,430	76,035,051,520	77,480,933,950	1,266.36%	*2*
Bank of America Corporation	Corporate Interest	Long Position	1,170,000,000	69,798,489,225	70,968,489,225	1,159.92%	*3*
Credit Suisse Trust Limited	Corporate Interest	Long Position Short Position	1,145,882,430	54,241,741,910 24,837,500,000	55,387,624,340 24,837,500,000	905.26%	*5*
Perfect Harmony Holdings Limited	Corporate Interest	Long Position Short Position	1,145,882,430	54,241,741,910 24,837,500,000	55,387,624,340 24,837,500,000	905.26%	*4 & 5*
Seletar Limited	Corporate Interest	Long Position Short Position	1,145,882,430	54,241,741,910 24,837,500,000	55,387,624,340 24,837,500,000	905.26%	*4 & 5*
Serangoon Limited	Corporate Interest	Long Position Short Position	1,145,882,430	54,241,741,910 24,837,500,000	55,387,624,340 24,837,500,000	905.26%	*4 & 5*
Liu Huihua	Spouse Interest	Long Position Short Position	1,145,882,430	54,271,378,550 24,837,500,000	55,417,260,980 24,837,500,000	905.75%	*6*
Wang Mingquan	Founder of Trust Beneficiary Interest	Long Position Short Position	1,145,882,430	54,241,741,910 29,636,640 24,837,500,000	55,387,624,340 29,636,640 24,837,500,000	905.26% 0.48%	*6*
Up Energy Holding Ltd.	Corporate Interest Beneficiary Interest	Long Position	1,145,882,430	53,929,801,520 311,940,390	55,075,683,950 311,940,390	900.16% 5.10%	*4 & 5*
	Corporate Interest	Short Position		24,837,500,000	24,837,500,000		
Up Energy Group Limited	Beneficiary Interest	Long Position Short Position	1,145,882,430	53,929,801,520 24,837,500,000	55,075,683,950 24,837,500,000	900.16%	*4 & 5*
Baosteel Group Corporation	Corporate Interest	Long Position Short Position	399,200,000	7,400,000,000 1,950,000,000	7,799,200,000 1,950,000,000	127.47%	*7*

Name	Capacity	Nature of Interests	Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests in issued capital as at 31.3.2011	*Notes*
Baosteel Resources International Company Limited	Beneficiary Interest Security Interest Beneficiary Interest	Long Position Short Position		 1,950,000,000	3,899,200,000 3,900,000,000 1,950,000,000	63.73% 63.74%	*7*
Capital Sunlight Limited	Beneficiary Interest	Long Position	36,856,500	5,547,878,570	5,584,735,070	91.28%	*8*
ICBC International Holdings Limited	Corporate Interest	Long Position	36,856,500	5,547,878,570	5,584,735,070	91.28%	*8*
ICBC International Investment Management Limited	Corporate Interest	Long Position	36,856,500	5,547,878,570	5,584,735,070	91.28%	*8*
Industrial and Commercial Bank of China Limited	Corporate Interest	Long Position	36,856,500	5,547,878,570	5,584,735,070	91.28%	*8*
Central Huijin Investment Ltd.	Corporate Interest	Long Position	36,856,500	9,986,181,430	10,023,037,930	163.82%	*12*
CCB Financial Holdings Limited	Interest of Control Corporation	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*10 & 11*
CCB International (Holdings) Limited	Beneficial owner	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*10*
CCB International Asset Management Limited	Investment Manager	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*9*
CCB International Assets Management (Cayman) Limited	Interest of Control Corporation	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*9 & 10*
CCB International Group Holdings Limited	Interest of Control Corporation	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*11*
China Construction Bank Corporation	Interest of Control Corporation	Long Position	–	4,438,302,860	4,438,302,860	72.54%	*11 & 12*
Dwight, Walter Anderson	Corporate Interest	Long Position	262,912,000	3,324,350,480	3,587,262,480	58.63%	*13*
Ospraie Holding I, L.P.	Corporate Interest	Long Position	262,912,000	3,324,350,480	3,587,262,480	58.63%	*13*
Ospraie Management, Inc.	Corporate Interest	Long Position	262,912,000	3,324,350,480	3,587,262,480	58.63%	*13*

Name	Capacity	Nature of Interests	Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests in issued capital as at 31.3.2011	*Notes*
Ospraie Management, LLC	Investment Manager	Long Position	262,912,000	3,324,350,480	3,587,262,480	58.63%	*13*
Ospraie Advisors L.P.	Investment Manager	Long Position	160,242,643	2,026,163,550	2,186,406,193	35.73%	*14*
Ospraie Advisors LLC	Corporate Interest	Long Position	160,242,643	2,026,163,550	2,186,406,193	35.73%	*14*
Ospraie Special Opportunities Master Holdings Ltd.	Beneficiary Interest	Long Position	160,242,643	2,026,163,550	2,186,406,193	35.73%	*14*
The Ospraie Portfolio Ltd.	Beneficiary Interest	Long Position	102,669,357	1,298,186,930	1,400,856,287	22.90%	
Powerplanet Limited	Beneficiary Interest	Long Position	–	1,664,363,570	1,664,363,570	27.20%	
Credit Suisse Group AG	Corporate Interest	Long Position Short Position	– –	1,500,000,000 1,500,000,000	1,500,000,000 1,500,000,000	24.52%	
Cheung Tsz King	Corporate Interest Beneficiary Interest	Long Position	694,995,670 84,059,770	504,358,610	779,055,440 84,059,770	12.73%	*15*
Ka Chi Kwan	Corporate Interest Spouse Interest	Long Position	694,995,670 84,059,770	504,358,610	779,055,440 84,059,770	12.73%	*15*
Star Create International Limited	Beneficiary Interest	Long Position	274,696,830	420,298,840	694,995,670	11.36%	*15*
Manto Investments Limited	Beneficiary Interest	Long Position	–	755,726,860	755,726,860	12.35%	
Dragon Rainbow Limited	Beneficiary Interest	Long Position	–	654,828,000	654,828,000	10.70%	*16*
Get Nice Holdings Limited	Corporate Interest	Long Position	–	654,828,000	654,828,000	10.70%	*16*
Get Nice Incorporated	Corporate Interest	Long Position	–	654,828,000	654,828,000	10.70%	*16*
Proper Way Profits Limited	Beneficiary Interest	Long Position	–	320,028,420	320,028,420	5.23%	
Pleasant Good Limited	Beneficiary Interest	Long Position	–	309,833,190	309,833,190	5.06%	
Riches Mile Investments Limited	Beneficiary Interest	Long Position	–	200,000,000	200,000,000	3.27%	*17*
Tang Qi	Corporate Interest	Long Position	–	200,000,000	200,000,000	3.27%	*17*

Remark: (L) Long position
(S) Short position

The above interests of shares and derivative are shown before the share consideration.

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms. The Company may not have sufficient information on the breakdown of the relevant interests. Therefore, some substantial shareholders' interests in shares or short position may not have breakdown in their relevant interests.

2. Golden Energy Holdings Limited (the "Golden Energy") was wholly owned by Synergy Investment International Company Limited ("Synergy"). Synergy was 100% held by Mr. Cai Cheng. Accordingly, Mr. Cai Cheng, Golden Energy and Synergy are deemed to be interests in the same relevant shares by virtue of SFO.

3. Bank of America Corporation holds shares of the Company through companies controlled or indirectly controlled by it.

4. These shares were the same parcel of shares held by a J&J Trust of which Mr. Wang Mingquan was the founder. Up Energy Group Limited is 100% wholly owned by Up Energy Holdings Limited. Up Energy Holdings Limited is 100% wholly owned by Perfect Harmony Holdings Limited. Perfect Harmony Holdings Limited ("Perfect Harmony") is a company incorporated in Bahamas and owned by Seletar Limited and Serangoon Limited as nominees in trust of Credit Suisse Trust Limited, the trustee of J&J Trust. Accordingly, Up Energy Group Limited., Up Energy Holdings Ltd., Seletar Limited, Serangoon Limited and Perfect Harmony are also deemed to be interested in the relevant shares and Short Position.

5. Credit Suisse Trust Ltd., as trustee of the J&J Trust, is deemed to be interested in the relevant shares and the short position by virtue of SFO.

6. Mr. Wang Mingquan is the founder of the J&J Trust and Ms. Liu Huihua is the spouse of Mr. Wang Mingquan. Mr. Wang Mingquan and Ms. Lui Huihua are therefore taken to be interested in the relevant shares and short position by virtue of SFO.

7. Baosteel Resources International Company Limited ("Baosteel") was owned by Baosteel Group Corporation ("Baosteel Group"). Accordingly, Baosteel Group and Baosteel are deemed to be interested in the relevant shares and short position by virtue of SFO.

8. ICBC International Holdings Limited ("ICBC Holdings") was wholly owned by Industrial and Commercial Bank of China Limited ("ICBC"). ICBC International Investment Management Limited ("ICBC Investment") was wholly owned by ICBC Holdings. Capital Sunlight Limited ("Capital Sunlight") was wholly owned by ICBC International Investment Management Limited ("ICBC Management"). By virtue of the SFO, Capital Sunlight, ICBC Holdings, ICBC, ICBC Investment and ICBC Management are deemed to be interested in the relevant shares and short position.

9. CCB International Asset Management Limited (CCB-IAM) is wholly and beneficially owned by CCB International Asset Management (Cayman) Limited ("CCB-IAMC"). By virtue of the SFO, CCB-IAMC was deemed to be interested in the shares which CCB-IAM was interested.

10. CCB-IAMC is in turn wholly and beneficially owned by CCB International (Holdings) Limited ("CCB-IH"). By virtue of the SFO, CCB-IH was deemed to be interested in the shares which CCB-IAMC was interested. CCB-IH is in turn wholly and beneficially owned by CCB Financial Holdings Limited ("CCB-FH"). By virtue of the SFO, CCB-FH was deemed to be interested in the shares which CCB-IH was interested.

11. CCB-FH is in turn wholly and beneficially owned by CCB International Group Holdings Limited ("CCB-IGH"). By virtue of the SFO, CCB-IGH was deemed to be interested in the shares which CCB-FH was interested. CCB-IGH is in turn wholly and beneficially owned by China Construction Bank Corporation ("CC Bank"). By virtue of the SFO, CC Bank was deemed to be interested in the shares which CCB-IGH was interested.

12. CC Bank is in turn beneficially 57.10%-owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in the shares which CC Bank was interested.

13. Ospraie Management, Inc. ("Ospraie Management") was owned by Mr. Dwight Walter Anderson. Ospraie Holding I.L. P ("Ospraie Holding") was owned by Ospraie Management. Ospraie Management, LLC ("Ospraie LLC") was owned by Ospraie Holding I. L.P. ("Ospraie I. L.P.). By virtue of the SFO, Mr. Dwight Walter Anderson, Ospraie Management, Ospraie Holding, Ospraie LLC and Ospraie I.L.P. are deemed to be interested in the same relevant shares and short position.

14. Ospraie Advisors LLC ("Ospraie Advisors") was wholly owned by Ospraie Management. Ospraie Advisors LP was owned by Ospraie Advisors. Ospraie Special Opportunities Master Holdings Ltd.("Ospraie Special") was owned by Ospraie Advisors LP. By virtue of the SFO, Ospraie Advisors, Ospraie Management and Ospraie Special are deemed to be interested in the same relevant shares and short position.

15. Star Create International Limited ("Star Create") was owned by 49% Mr. Cheung Tsz King and 50% by Mr. Ka Chi Kwan. By virtue of the SFO, Mr. Cheung Tsz King and Mr. Ka Chi Kwan was deemed to be interested in the shares which Star Create was interested.

16. Dragon Rainbow Limited ("Dragon Rainbow") was wholly owned by Get Nice Incorporated ("GN Incorporated"). GN Incorporated was wholly owned by Get Nice Holdings Limited ("GN Holdings"). By virtue of the SFO, GN Incorporated, GN Holdings, Dragon Rainbow were deemed to be interested in the same relevant shares and short position.

17. Riches Mile Investment Limited ("Riches Mile") was wholly owned by Tang Qi. By virtue of the SFO, Riches Mile and Tang Qi were deemed to be interested in the same relevant shares and short position.

18. The issue share number of shares of the Company as at 31 March, 2011 was 6,118,410,912 (before the share consolidation").

Save as disclosed above, as at 31 March 2011, the directors and the chief executive of the Company were not aware of any person who has an interest or short position 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party and in which a Director of the Company had material interest, whether directly or indirectly, subsisted at the end of or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company during the year ended 31 March 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any its subsidiaries has purchased redeemed or sold any of the Company's shares during the year ended 31 March 2011.

COMPETING INTERESTS

As at 31 March 2011, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, change in the information of Directors of the Company since the date of the Interim Report 2010 of the Company required to be disclosed in this report is as follows:

— Mr. Qin Jun was appointed as an Executive Director and Chief Executive Officer of the Company with effect from 19 January 2011. He was also appointed as a member of Remuneration Committee on 20 June 2011;

— Mr. Pu Fuzhong resigned as an Executive Director of the Company with effect from 14 February 2011;

— Mr. Lui Sai Wah resigned as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company with effect from 22 February 2011;

— Mr. Jiang Hongwen was appointed as an Executive Director and the Chief Financial Officer of the Company with effect from 22 February 2011;

— Mr. Li Bao Guo was appointed as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company with effect from 22 February 2011;

— Mr. Chen Ping resigned as an Executive Director of the Company with effect from 10 March 2011;

— Ms. Ma Jian Ying resigned as an Executive Director of the Company with effect from 10 March 2011;

— Mr. Lien Jown Jing, Vincent was appointed as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company with effect from 1 April 2011. He was also appointed as the Chairman of Audit Committee on 20 June 2011;

— Mr. Wong Siu Kang resigned as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company with effect from 20 May 2011;

— Dr. Shen Shiao-Ming was appointed an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company with effect from 20 May 2011. She was also appointed as the Chairman of the Remuneration Committee on 20 June 2011;

— Mr. Chau Shing Yim, David was re-designated as a Non-Executive Director on 20 June 2011. He was also appointed as an Independent Non-Executvie Director of Duoyuan Global Water Inc., a company listed on New York Stock Exchange on 21 April 2011; and

— Mr. Lau Kwok Kuen resigned as an Independent Non-Executvie Director of the Company on 20 June 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

LITIGATIONS

As disclosed in 2010 Annual Report, on 10 July 2006, a legal action for damages of approximately HK$76,862,000 for breach of agreements was brought against the Company by four independent third parties. Details of the legal action were set out in note 33 to the financial statements.

On 5 May 2010, an application for striking out the Plaintiffs claim was made and then the Plaintiffs' claim was dismissed. However, the Plaintiffs appealed the High Court decision on 11 August 2010 and hearing date is fixed on 23 March 2011.

Subsequent to the hearing on 23 March 2011, the Company received a judgement awarded by the High Court, in which the appeal order under the litigation lodged by the Plaintiff against the Company for damages of approximately HK$76,862,000 for breach of agreements was dismissed by the Court First Instance.

On 29 April 2011, the Company received a Notice of Appeal, whereas the Plaintiffs wish to appeal to the High Court's decision again. A further appeal at Court of Appeal by the Plaintiffs would be held on 23 September 2011.

Based on the legal advice, the directors are of the opinion that the Plaintiffs appeal is unlikely to succeed.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current audit committee as at the date of this report comprises of Mr. Lau Kwok Kuen, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming, all of whom are independent non-executive Directors. Mr. Lau Kwok Kuen resigned as a member of Audit Committee after the approval of this consolidated financial statements for the year ended 31 March 2011.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports and to provide advices and comments thereon to the Board.

The audit committee has reviewed the Group's annual results for the year ended 31 March 2011, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company is committed with a good corporate governance practices. The Company's corporate governance practices are set out in Corporate Governance Report on pages 29 to 33 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 March 2011 of the Group have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment at the 2011 AGM. A resolution will be proposed at the forthcoming annual general meeting of the Company for the re-appointment of Messrs. Ernst & Young as auditor of the Company.

SUBSEQUENT EVENTS

Details of the significant event subsequent to the balance sheet date are set out in note 38 to the consolidated financial statements.

On behalf of the Board

Qin Jun
Chairman
Hong Kong

20 June 2011

EXECUTIVE DIRECTORS

Mr. Qin Jun
Chairman and Chief Executive Officer

Mr. Qin Jun, aged 42, is the Chairman and Chief Executive Officer of the Company. He is one of the founders of Up Energy Investment (China) Ltd. ("**UE China**") UE China became the subsidiary of the Group 18 January 2011. He has over 20 years of experience in domestic or international business management and is primarily responsible for the overall strategic planning and management of UE China. Since 2003, Mr. Qin has focused on coking coal exploration and mining opportunities in Xinjiang. Mr. Qin has established a high-quality management team since he founded UE China. He also led the team to identify and acquire gradually UE China's three mines in 2003 and has formulated the overall strategy for the development of UE China. Mr. Qin Jun is the son-in-law of Mr. Wang Mingguan who is the substantial shareholder of the Company.

Mr. Qin graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990. From 1999 to 2001, he served as vice president of BOE Technology Group Co., Ltd., which is engaged in research, manufacturing and sales of thin film transistor liquid crystal display (TFT-LCD) products and related business solution services to customers. From 1993 to 1999, he was the chairman and the chief executive officer of Shenzhen Sinor Solar Industry Co., Ltd., which is engaged in the manufacturing and trading of electronic products. He was also a member of the Economic and Planning Department in the Ministry of Machinery and Electronics of the PRC from 1990 to 1993. Mr. Qin obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009. Mr. Qin has 8 years of relevant experience in coal mining and exploration activities and management of coal mining companies.

Mr. Jiang Hongwen
Executive Director and Chief Financial Officer

Mr. Jiang Hongwen, aged 42, is the Executive Director and Chief Financial Officer of the Company. He was also appointed as vice-president, chief financial officer and Director of UE China in August 2008. He is responsible for the overall management of the UE China's financial operations. He graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990 and the University of Science and Technology of China with a master's degree in business administration in 2005. Mr. Jiang has been a licensed senior accountant awarded by the Senior Accounting Professional Assessment Committee of Anhui Province since 1999 and has extensive experience in financial management. He was an expert on the Senior Accountant Committee and a member of the Institute of Accounting of China. Mr. Jiang has previously held the positions of finance department manager, investment department manager, audit department manager and supervisor of investment holding company and deputy chief accountant in Anhui Garments Import and Export Corporation, a trading company in the PRC. Mr. Jiang also obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009.

NON-EXECUTIVE DIRECTOR

Mr. Chau Shing Yim, David

Mr. Chau Shing Yim David, aged 47, is the Non-Executive Director of the Company. He has over 20 years' experience in corporate finance, working on projects ranging from initial public offerings and restructuring of PRC enterprises for cross-border and domestic takeovers. He was formerly a partner of one of the big four accounting firms in Hong Kong, heading the Merger and Acquisition and Corporate Advisory Services. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW") with the Corporate Finance Qualification granted by ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA.

He is an independent non-executive director of Shandong Molong Petroleum Machinery Company Limited, Varitronix International Limited, Lee & Man Paper Manufacturing Limited, Evergrande Real Estate Group Limited and Man Wah Holdings Limited both are listed on the main board of the Stock Exchange of Hong Kong Limited. He is also recently appointed as independent non-executive director of Duoyuan Global Water Inc, a company listed on New York Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Bao Guo

Mr. Li Bao Guo, aged 58, is the Independent Non-Executive Director of the Company. He has over 40 years' experience in the coal-mining industry, specialized in coal mine construction and safety issues. Mr. Li is currently a vice president of the Xinjiang Guanghui Industry Investment Group Co., Ltd. During the period from 1997 to 2010, Mr. Li was the deputy director of Xinjiang Uygur Antonomous Region Coal Geology Bureau. Prior to that, he served as the deputy manager of Xinjiang Coal Construction Engineering Company for 5 years. During the period from 1989 to 1992, Mr. Li was the vice president and vice commander of Beiquan Mine of Xinjiang Hami Coal Bureau. During the period from 1977 to 1989, he was the chief engineer of No. 1 Mine of Xinjiang Hami Coal Bureau. He graduated from Xi'an Mining Institute (renamed to Xi'an University of Science and Technology) with the professional qualification in Coal Geology in 1977. During the period from 1970 to 1974, he worked at the open pit of Xinjiang Hami Coal Bureau. Mr. Li is a professorate senior engineer, an expert in Antonomous Region Safety Production, a registered safety engineer and a registered architect in coal industry.

Mr. Lien Jown Jing, Vincent

Mr. Lien Jown Jing, Vincent, aged 50, is the Independent Non-Executive Director of the Company. He has over 25 years of experience in the banking industry, specialized incorporate finance and capital management. Mr. Lien has a Bachelor Degree in business administration. Mr. Lien started his career in the financial industry first in Merrill Lynch & Company as an analyst in the corporate finance division. In the past years, Mr. Lien had been working in senior positions in financial institutions such as Swiss Bank Corporation and Bankers Trust & Company. In year 2000, he became the Director of Wah Hin & Company. He also served as the Managing Director in the Financial Institutions & Public Sector division of ABN AMRO Bank from 2007 to 2008. Prior joining our Group, Mr. Lien was the Non-Executive Chairman of eSUN Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, from 2007 until June 2010.

Dr. Shen Shiao-Ming

Dr. Shen Shiao-Ming, aged 61, is the Independent Non-Executive Director of the Company. Dr. Shen has over 30 years legal and business experience with particular emphasis on business investment and the energy industry. Dr. Shen is currently an international legal consultant with the law firm of Mackenzie & Albritton in San Francisco, California and has previously worked for several other U.S. law firms, including Graham and James in San Francisco, and Kaye, Scholer, Fierman, Hays & Handle in New York. Dr. Shen's work involved multinational corporations in joint venture projects, energy projects and other international business transactions.

Dr. Shen has taught courses and lectured at Universities in Virginia, California, Texas and New York. Since 1998, Dr. Shen has also been a visiting professor of law at Southern Methodist University. Dr. Shen received a Master of Comparative Law Degree from Southern Methodist University School of Law, a Master of Laws Degree from Harvard Law School, and a Doctor of Juridical Science Degree from Boalt Hall School of Law at the University of California at Berkeley.

SENIOR MANAGEMENT

All the executive directors of the Company are respectively responsible for the various aspects of the business and operation of the Group. These executive Directors are regards as the members of the senior management team of the Group.

The Board (the "Board") of directors (the "Directors") of the Company is committed to uphold good corporate governance practices in all aspects of business and procedure in safeguarding shareholders' interest to ensure that all aspects of business are conducted in accordance with all applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has applied the principles of the code provisions prescribed in the Code on Corporate Governance Practices (the "CG Code") set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year under review, the Company has complied with the code provisions of the CG Code except for deviations from code provision A.2.1.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established.

Mr. Qin Jun currently assumes the role of both Chairman and Chief Executive Officer (the "CEO") of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of CEO when necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Appendix 10 of the Listing Rules (the "Model Code"). The Model Code applies to all Directors and to all employees who are informed that they are subject to its provisions. The Company has made specific enquiry of all Directors and all the Directors have confirmed their compliance with the required standard set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Directors of the Company in office during the year up to the date of this report are as follows:

Directors

Executive Directors

Mr. Chen Ping (resigned on 10 March 2011)
Mr. Pu Fuzhong (resigned on 14 February 2011)
Ms. Ma Jian Ying (resigned on 10 March 2011)
Mr. Qin Jun (appointed on 19 January 2011)
Mr. Jiang Hongwen (appointed on 22 February 2011)

Non-executive Director

Mr. Chau Shing Yim, David (re-designated to Non-executive Director on 20 June 2011)

Independent Non-executive Directors

Mr. Lau Kwok Kuen (resigned on 20 June 2011)
Mr. Lui Sai Wah (resigned on 22 February 2011)
Mr. Wong Siu Kang (resigned on 20 May 2011)
Mr. Li Bao Guo (appointed on 22 February 2011)
Mr. Lien Jown Jing, Vincent (appointed on 1 April 2011)
Dr. Shen Shiao-Ming (appointed on 20 May 2011)

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors.

The Directors come from diverse background with varied expertise in finance, legal industry and business field. Biographical details of the Directors are set out in the section headed "Profiles of Directors" on pages 27 to 28 of this annual report.

The Board is mainly responsible for formulating the Group's long term strategy and development plan, deciding major financial and capital project, and reviewing internal control and risks. The Board delegates the day-to-day operations and general management function to the Executive Directors and senior management of the Group.

The Company will update all Directors on the major changes of the Group's business including relevant rules and regulations from time to time. They have right to access the advices and services of the Company Secretary who is responsible for providing them the Board papers and related materials. The Directors including Independent Non-executive Director may seek legal advices at the Company's expenses to discharge their duties.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules.

DIRECTOR'S APPOINTMENTS, RE-ELECTION AND REMOVAL

The Company has not established a nomination committee. The Board is responsible for reviewing the Board composition and setting out the procedures for nomination and appointment of Directors. The Board is also responsible for assessing the independence of the Independent Non-executive Directors. The structure, size and composition of the Board will be reviewed from time to time to ensure that it has a balance of expertise and a variety of expertise relevant to the Group's business.

Pursuant to the Bye-laws 101 and 110 (A) of the Bye-laws of the Company, every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting.

Executive Directors are not appointed for a specific term but will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Non-Executive Directors and Independent Non-executive Directors are appointed for a term of two years and will be subject to retirement by rotation and re-election in accordance with the Bye-laws of Company. Thus, no Director has a term of appointment longer than three years.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions against the Directors and officers arising from corporate activities.

BOARD MEETINGS

The Board shall hold at least four meetings a year. Additional Board Meeting will be arranged on a particular matters when a board-level decision is required. All Directors are invited to participate in these meetings in person. For those Directors who are not able to attend these meetings in persons, they can participate in the meetings by telephone conference.

The Company Secretary assists the Chairman in preparing the agenda for the meeting. The draft minutes are circulated to all Directors for comments as soon as practicable.

The following table shows the attendance records of the regular Board Meetings during the period from 1 April 2010 to 31 March 2011:

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Mr. Chen Ping (resigned on 10 March 2011)	4/4
Mr. Pu Fuzhong (resigned on 14 February 2011)	4/4
Ms. Ma Jian Ying (resigned on 10 March 2011)	4/4
Mr. Qin Jun (appointed on 19 January 2011)	1/4
Non-executive Director	
Mr. Chau Shing Yim, David (re-designated to Non-Executive Director on 20 June 2011)	4/4
Independent Non-executive Directors	
Mr. Lau Kwok Kuen (resigned on 20 June 2011)	4/4
Mr. Lui Sai Wah (resigned on 22 February 2011)	3/4
Mr. Wong Siu Kang (resigned on 20 May 2011)	4/4

AUDIT COMMITTEE

The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their terms of appointment.

The members of the Audit Committee of the Company during the year and up to the date of this report are as follows:

Mr. Lau Kwok Kuen (resigned on 20 June 2011)
Mr. Lui Sai Wah (resigned on 22 February 2011)
Mr. Wong Siu Kang (resigned on 20 May 2011)
Mr. Li Bao Guo (appointed on 22 February 2011)
Mr. Lien Jown Jing, Vincent (appointed on 1 April 2011)
Dr. Shen Shiao-Ming (appointed on 20 May 2011)

The Audit Committee met two times during the year under review. During the meetings, the Audit Committee reviewed the results and the financial reports with the management, discussed the annual audit issues with the external auditor and made recommendation to the Board on the re-appointment of the external auditor. All members of the Audit Committee attended the meetings.

The following table shows the attendance records of the Audit Committee Meetings held during the period from 1 April 2010 to 31 March 2011 (the "Financial Year"):

Directors	No. of meetings attended/ No. of meetings held
Mr. Lau Kwok Kuen	2/2
Mr. Lui Sai Wah	2/2
Mr. Wong Siu Kang	2/2

During the Financial Year, the Audit Committee has performed the following duties:

- reviewed with the management and the external auditor the audited consolidated financial statements for the year ended 31 March 2010 and reviewed the unaudited consolidated interim condensed financial statements for the six months ended 30 September 2010 with recommendation to the Board for approval;

- reviewed the internal control system, and

- reviewed the compliance issues with the regulatory and statutory requirements.

The Audit Committee comprising Mr. Lau Kwok Kuen, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming reviewed the audited consolidated financial statements for the year ended 31 March 2011 and the internal control systems. Mr. Lau Kwok Kueu resigned as a member of Audit Committee after the approval of the audited consolidated financial statements for the year ended 31 March 2011.

ACCOUNTABILITY AND AUDIT

The Audit Committee and the Board have reviewed the Company's consolidated financial statements for the year ended 31 March 2011. The Directors acknowledged their responsibility for the preparation and the true and fair presentation of the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standard, accounting policies generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

Messrs. Ernst & Young acknowledged their reporting responsibilities in the auditors' report on the consolidated financial statements for the year ended 31 March 2011.

For the year ended 31 March 2011, the fees payable to the external auditor of the Company, Ernst & Young, in respect of audit and non-audit services related to the acquisition of Up Energy Investment (China) Ltd. is set out below:

		2011 ***HK$'000***
Audit Services	:	**2,240**
Non-Audit Services	:	**1,235**
		3,475

In addition, the Company has also paid the predecessor auditor, Messrs Ting Ho Kwan & Chan approximately HK$200,000 in respect of an interim review for the purpose of inclusion in the very substantial acquisition circular of the Company.

INTERNAL CONTROL

The Group's internal control system is designed to provide reasonable, but not absolute assurance of no material misstatement or loss and to manage rather than eliminate risk of failure in operational systems and achievements of the Group's objectives.

The Group's Audit Committee is responsible for reviewing the financial reporting process and internal control system of the Group and providing advice and comments to the Board. During the year under review, the Board, through the management report, is not aware of any material weaknesses.

REMUNERATION COMMITTEE

The major function of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and remuneration structure for all Directors of the Company.

The members of the Remuneration Committee of the Company during the year and up to the date of this report are as follows:

Mr. Lau Kwok Kuen (resigned on 20 June 2011)
Mr. Lui Sai Wah (resigned on 22 February 2011)
Mr. Wong Siu Kang (resigned on 20 May 2011)
Mr. Li Bao Guo (appointed on 22 February 2011)
Mr. Lien Jown Jing, Vincent (appointed on 1 April 2011)
Dr. Shen Shiao-Ming (appointed on 20 May 2011)
Mr. Qin Jun (appointed on 20 June 2011)

During the year of review, the Remuneration Committee reviewed and made recommendation on the remuneration package, including discretionary bonus, of the Directors and the remuneration policies.

The following table shows the attendance records of the Remuneration Committee Meetings held for the period from 1 April 2010 to 31 March 2011:

Directors	**No. of meetings attended/ No. of meetings held**
Mr. Lau Kwok Kuen	1/1
Mr. Lui Sai Wah	1/1
Mr. Wong Siu Kang	1/1

EMOLUMENTS OF DIRECTORS

The emoluments of the Directors of the Company for the year ended 31 March 2011 are set out on pages 74 to 75 of this annual report.

SHAREHOLDERS' RIGHTS

Shareholders and investors can address their concerns to the Company Secretary by mail or email. The contact details are set out in the "Corporation Information" of this report.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company actively promotes effective communications with shareholders and investors. Shareholders are encouraged to attend the general meetings. The notice of annual general meeting is distributed to all shareholders at least 20 clear business days prior to the annual general meeting. In addition, procedures for voting by polls are set out as per the notice of general meeting. The Chairman of the general meeting conducts voting only after having confirmed with shareholders that they have no problem about the procedures of voting by poll.

During the year under review, the Company has arranged meetings with investment banks in order to enhance the Group's relationships with research analysts, fund managers and institutional investors. All discussions are limited to explanations of published material and non-price sensitive information.

ERNST & YOUNG
安永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

To the shareholders of Up Energy Development Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Up Energy Development Group Limited (the "Company") and its subsidiary (together, the "Group") set out on pages 34 to 103, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

20 June 2011

Consolidated Income Statement

Year ended 31 March 2011

CONTINUING OPERATIONS	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	5	26,077	74,454
Cost of sales		(25,718)	(73,860)
Gross profit		359	594
Other income and gains		11,751	14,631
Selling and distribution expenses		(969)	(419)
Administrative expenses		(18,735)	(6,119)
Other expenses		(25,274)	—
Share of loss of a jointly-controlled entity		(28)	(87)
PROFIT BEFORE TAX FROM CONTINUING OPERATING ACTIVITIES		(32,896)	8,600
Gain on bargain purchase	30	985,024	—
Finance costs	7	(8,448)	(5)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		943,680	8,595
Income tax expense	10	84	(1,185)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		943,764	7,410
DISCONTINUED OPERATION			
(Loss)/profit for the year from a discontinued operation	12	(110)	163
PROFIT FOR THE YEAR		943,654	7,573
Attributable to:			
Owners of the Company	11	944,656	7,573
Non-controlling interests		(1,002)	—
		943,654	7,573
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
— For profit for the year		68.22 cents	0.76 cents
— For profit from continuing operations		68.22 cents	0.74 cents
Diluted			
— For profit for the year		5.56 cents	0.76 cents
— For profit from continuing operations		5.56 cents	0.74 cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
PROFIT FOR THE YEAR		**943,654**	7,573
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**5,079**	(214)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**5,079**	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**948,733**	7,359
Attributable to:			
Owners of the Company	*11*	**948,544**	7,359
Non-controlling interests		**189**	—
		948,733	7,359

Consolidated Statement of Financial Position

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	14,108,835	712
Prepaid land lease payments	15	68,411	—
Investment in a jointly-controlled entity	17	—	61
Total non-current assets		14,177,246	773
CURRENT ASSETS			
Inventories	18	14,272	—
Trading securities	19	—	16,620
Trade and bills receivables	20	—	15,228
Prepayments, deposits and other receivables	21	40,970	4,375
Restricted bank deposits	22	35,793	—
Cash and cash equivalents	22	1,257,526	22,420
Total current assets		1,348,561	58,643
CURRENT LIABILITIES			
Trade and bills payables	23	22,052	392
Other payables and accruals	24	49,935	17,776
Current tax payable		—	1,185
Total current liabilities		71,987	19,353
NET CURRENT ASSETS		1,276,574	39,290
TOTAL ASSETS LESS CURRENT LIABILITIES		15,453,820	40,063
NON-CURRENT LIABILITIES			
Convertible notes	25	5,566,664	—
Deferred tax liabilities	26	3,428,193	—
Total non-current liabilities		8,994,857	—
NET ASSETS		6,458,963	40,063
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	61,184	10,009
Equity component of convertible notes	25	2,299,100	—
Reserves		1,439,869	30,054
		3,800,153	40,063
Non-controlling interests		2,658,810	—
TOTAL EQUITY		6,458,963	40,063

Qin Jun
Director

Jiang Hongwen
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

	Attributable to owners of the Company										
	Issued capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Capital reserve *HK$'000*	Share option reserve *HK$'000*	Equity component of convertible notes *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2010	10,009	37,161	84,798	(651)	3,490	38	–	(94,782)	40,063	–	40,063
Profit for the year	–	–	–	–	–	–	–	944,656	944,656	(1,002)	943,654
Other comprehensive income for the year											
Exchange differences on translation of foreign operations	–	–	–	3,888	–	–	–	–	3,888	1,191	5,079
Total comprehensive income for the year	–	–	–	3,888	–	–	–	944,656	948,544	189	948,733
Acquisition of a subsidiary *(note 30)*	–	–	–	–	–	–	–	–	–	2,645,167	2,645,167
Disposed of subsidiaries *(note 31)*	–	–	–	651	–	–	–	–	651	–	651
Exercise of share options	6	132	–	–	–	(38)	–	–	100	–	100
Issue of convertible notes	–	–	–	–	–	–	2,299,100	–	2,299,100	–	2,299,100
Conversion of convertible notes *(note 25)*	51,169	460,526	–	–	–	–	–	–	511,695	–	511,695
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	13,454	13,454
At 31 March 2011	61,184	497,819	84,798	3,888	3,490	–	2,299,100	849,874	3,800,153	2,658,810	6,458,963
At 1 April 2009	10,009	37,161	84,798	(437)	3,490	71	–	(102,388)	32,704	–	32,704
Profit for the year	–	–	–	–	–	–	–	7,573	7,573	–	7,573
Other comprehensive loss for the year											
Exchange differences on translation of foreign operations	–	–	–	(214)	–	–	–	–	(214)	–	(214)
Total comprehensive income for the year	–	–	–	(214)	–	–	–	7,573	7,359	–	7,359
Forfeiture of share options	–	–	–	–	–	(33)	–	33	–	–	–
At 31 March 2010	10,009	37,161	84,798	(651)	3,490	38	–	(94,782)	40,063	–	40,063

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from operating activities			
Profit before tax:		943,570	8,758
From continuing operations		943,680	8,595
From a discontinued operation	12	(110)	163
Adjustments for:			
Finance costs	7	8,448	5
Interest income		(302)	(4)
Share of loss of a jointly-controlled entity		28	87
Dividend income		(30)	(106)
Net realised and unrealised (gain)/loss on trading securities		1,590	(12,490)
Gain on waiver of payables		—	(110)
Gain on disposal of items of property, plant and equipment	6	(1,252)	(109)
Gain on bargain purchase	30	(985,024)	—
Gain on disposal of subsidiaries	31	(11,731)	—
Depreciation of property, plant and equipment	6	874	606
Amortisation of prepaid land lease payments	6	455	—
Transaction costs of the acquisition	30	16,901	—
Impairment loss on trade and bills receivables		—	152
Cash flows before working capital changes		(26,473)	(3,211)
Decrease/(increase) in prepayments, deposits and other receivables		3,246	(12,035)
(Increase) in inventories		(14,249)	—
Decrease in trade and bills receivables		15,137	—
Increase/(decrease) in other payables and accruals		4,758	(4,786)
Cash used in operations		(17,581)	(20,032)
Net cash flows used in operating activities		(17,581)	(20,032)

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from investing activities			
Interest received		302	4
Disposal of subsidiaries	31	56	—
Acquisition of a subsidiary	30	735,177	(1)
Purchase of items of property, plant and equipment		(21,745)	(19)
Proceeds from sale of property plant and equipment		—	200
Proceeds from sale of trading securities		14,976	11,641
Payment for purchase of trading securities		—	(5,548)
Increase in an amount due from a jointly-controlled entity		—	(148)
Dividend received		30	106
Increase in pledged bank balance		(9,813)	—
Exercise of share options		100	—
Net cash flows from investing activities		719,083	6,235
Cash flows from financing activities			
Proceeds from issue of convertible notes	25	520,000	—
Capital contribution by non-controlling shareholders		13,454	—
Capital element of finance lease rentals paid		—	(39)
Interest element of finance lease rentals paid		—	(5)
Net cash flows from/(used in) financing activities		533,454	(44)
Net increase/(decrease) in cash and cash equivalents		1,234,956	(13,841)
Cash and cash equivalents at beginning of year		22,420	36,484
Effect of foreign exchange rate changes, net		150	(223)
Cash and cash equivalents at end of year	22	1,257,526	22,420

Statement of Financial Position

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	7,800,000	29,613
Investment in a jointly-controlled entity	17	—	148
Total non-current assets		7,800,000	29,761
CURRENT ASSETS			
Prepayments, deposits and other receivables	21	685	204
Amounts due from subsidiaries	16	17,654	8,025
Cash and cash equivalents	22	510,942	2,153
Total current assets		529,281	10,382
CURRENT LIABILITIES			
Other payables and accruals	24	9,851	408
Total current liabilities		9,851	408
NET CURRENT ASSETS		519,430	9,974
TOTAL ASSETS LESS CURRENT LIABILITIES		8,319,430	39,735
NON-CURRENT LIABILITIES			
Convertible notes	25	5,566,664	—
Total non-current liabilities		5,566,664	—
NET ASSETS		2,752,766	39,735
EQUITY			
Issued capital	27	61,184	10,009
Reserves	29(b)	392,482	29,726
Equity component of convertible notes	25	2,299,100	—
TOTAL EQUITY		2,752,766	39,735

Qin Jun
Director

Jiang Hongwen
Director

1. CORPORATE INFORMATION

Up Energy Development Group Limited (the "Company", formerly known as Tidetime Sun (Group) Limited) was incorporated as an exempted company with limited liability in Bermuda on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") were involved the following principal activities:

- Trading of multi-media products
- Broadcasting and content production (discontinued upon disposal of STR Media Limited ("STR"))
- Development and construction of coal mining and coke processing facilities

The Company disposed of its entire 80% interest in a subsidiary, STR Media Limited, on 16 July 2010. The principal asset of STR is 60% equity interest in a subsidiary, Shanghai New Culture TV and Radio Making Company Limited, which is engaged in the business of broadcasting and content production and VCD trading. Furthermore, the Company disposed of its entire 100% interest in four subsidiaries, Trend Advertising Company Ltd., Tidetime Future Optical Media Technology Ltd., Treasurepoint Ltd., and China Giant Investments Ltd. during the year.

The Company entered into an acquisition agreement on 22 July 2010 with Up Energy Holding Limited, as supplemented by other four supplemental agreements, pursuant to which the Company acquired 100% of the issued shares of Up Energy Investment (China) Limited ("UE China"). The acquisition was completed on 18 January 2011.

UE China is currently in its development stage and will be principally engaged in the business of coal mining, coal washing, and the manufacture and sale of coke and clean coke.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for trading securities, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments*: *Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative*
HKFRS 7	*Disclosures for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[3]
HKFRS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 April 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Business combinations and goodwill *(continued)*

Business combinations from 1 April 2010 *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 April 2010 but after 1 April 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010 but after 1 April 2005:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Mine properties include the cost of acquiring mining licences, exploration and evaluation costs transferred from “Exploration rights and assets” upon determination that an exploration property is capable of commercial production, the cost of acquiring interests in the mining reserves of existing mine properties, and the cost of mine construction upon completion. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation of items of property, plant and equipment, other than mine properties, is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Plant and machinery	3-20 years
Motor vehicles	5 years
Office furniture and fixtures	3-5 years
Equipment and others	3-5 years

Depreciation of mine properties is calculated using the units of production (“UOP”) method to depreciate the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property, plant and equipment and depreciation *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation is included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated income statement as incurred, unless the director of the Group conclude that a future economic benefit is more likely to be realised than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mine properties and amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated income statement if the exploration property is abandoned.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the leases terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Leases *(continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the leases terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade and bills receivables, prepayments, deposits, other receivables and trading securities.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the consolidated income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The loss arising from impairment is recognised in the consolidated income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated income statement in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and convertible notes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial liabilities *(continued)*

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 29 October 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Share-based payment transactions *(continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.7% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

Comparative information for prior periods is represented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The classification of discontinued operations in current year had no impact on the comparative statement of financial position.

The classification, measurement and presentation requirements above are also applied to non-current assets that are held for distribution, or distributed to shareholders acting in their capacity as shareholders.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their consolidated income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Impairment provision of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment of non-financial assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continuing use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could materially affect the net present value result in the impairment test.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from "Construction in progress" to "Mine properties". Some of the criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce coals in saleable form (within specifications)
- Ability to sustain ongoing production of coals

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Production start date *(continued)*

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of items of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at least at the end of each reporting period, based on changes in circumstances.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its coal reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and this require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year ended 31 March 2010, the Group had two business segments, namely broadcasting and content production and multi-media product and component trading. The business of broadcasting and content production was discontinued in the current year as the Group disposed of its entire 80% interest in a subsidiary, STR Media Limited ("STR") on 16 July 2010. In addition, on 18 January 2011, the Company acquired 100% of the issued shares of UE China, which is currently in its development stage and will be principally engaged in the business of coal mining, coal washing, and the manufacture and sale of coke and clean coke.

Upon the completion of the above mentioned disposal and acquisition, the Company has two reportable operating segments as follows:

(a) Trading of multi-media products;and

(b) Development and construction of coal mines and coke processing facilities ("coal mining")

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude restricted deposits, cash and cash equivalents, trading securities and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, convertible notes, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

	Multi-media product trading		Coal mining		Total	
	2011 *HK$'000*	2010 *HK$'000* (Restated)	**2011** *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000* (Restated)
Segment revenue						
Sales to external customers	**26,077**	74,454	**–**	–	**26,077**	74,454
Segment results	**(50)**	(60)	**976,491**	–	**976,441**	(60)
Interest income					**–**	3
Unallocated corporate operating income					**10,197**	11,858
Share of loss of a jointly-controlled entity					**(28)**	(87)
Finance costs					**(8,448)**	(5)
Unallocated corporate operating and other expenses					**(34,482)**	(3,114)
Profit before tax from continuing operations					**943,680**	8,595

4. OPERATING SEGMENT INFORMATION *(continued)*

	Multi-media product trading		Coal mining		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (Restated)
Segment assets	12,617	37,662	14,998,893	—	15,011,510	37,662
Elimination of intersegment receivables					(25,707)	—
Assets related to a discontinued operation					—	804
Investment in a jointly-controlled entity					—	61
Unallocated corporate assets					540,004	20,889
Total assets					15,525,807	59,416
Segment liabilities	12,627	6,197	3,489,893	—	3,502,520	6,197
Elimination of intersegment payables					(25,707)	—
Liabilities related to a discontinued operation					—	11,189
Unallocated corporate liabilities					5,590,031	1,967
Total liabilities					9,066,844	19,353

	Multi-media product trading		Coal mining		Others		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (Restated)
Other segment information								
Depreciation and amortisation for the year	–	–	1,312	–	17	136	1,329	136
Gain on bargain purchase *(note 30)*	–	–	985,024	–	–	–	985,024	–
Gain on disposal of property, plant and equipment	–	–	1,252	–	–	109	1,252	109
Gain on waiver of current accounts	–	–	–	–	5	–	5	–
Capital expenditure	–	–	7,894,223	–	828	3	7,895,051	3

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) ***Revenue from external customers***

	Group 2011 HK$'000	2010 HK$'000 (Restated)
Hong Kong	26,077	74,454

The revenue from continuing operations of the Group above is based on the location of the customers.

(b) ***Non-current assets***

	Group 2011 HK$'000	2010 HK$'000 (Restated)
Hong Kong	817	65
Mainland China	14,176,429	—
	14,177,246	65

The non-current assets information from continuing operations above is based on the location of non-current assets.

5. REVENUE

The Group is principally engaged in the media-related business and development and construction of coal mining and coke processing facilities. The Group did not commence production of coal and coke during the year. Revenue represents income from the sale of multi-media products sold to customers.

An analysis of revenue from continuing operations is as follows:

	Group 2011 HK$'000	2010 HK$'000 (Restated)
Revenue		
Sale of goods	26,077	74,454

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cost of inventories sold		25,718	73,860
Depreciation of property, plant and equipment		874	606
Amortisation of prepaid land lease payments	15	455	—
Total depreciation and amortisation		1,329	606
Impairment of trade receivables, net		—	152
Total impairment, net		—	152
Gain on disposal of items of property, plant and equipment, net		(1,252)	(109)
Gain on bargain purchase	30	(985,024)	—
Gain on disposal of subsidiaries	31	(11,731)	—
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
Wages, salaries and other employees' benefits		1,811	2,771
Pension scheme contributions — defined contribution scheme		150	121
		1,961	2,892
Auditors' remuneration:			
Audit services		2,240	428
Acquisition related services		1,435	—
		3,675	428
Operating lease charges:			
Minimum lease payments in respect of property rentals		673	990

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Foreign exchange gain	(732)	—
Amortised interest of convertible notes *(note 25)*	77,459	—
Less: Interest capitalised	(68,279)	—
	9,180	—
Finance charges on obligation under a finance lease	—	(5)
	8,448	(5)

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Fees	363	332
Other emoluments:		
Salaries, allowances and benefits in kind	1,740	904
Pension scheme contributions	38	30
	1,778	934
	2,141	1,266

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Mr. Lau Kwok Kuen	120	120
Mr. Lui Sai Wah (resigned on 22 February 2011)	108	120
Mr. Wong Siu Kang	120	39
Mr. Li Bao Guo (appointed on 22 February 2011)	15	—
Mr. Yan Tat Wah (resigned on 9 August 2009)	—	53
	363	332

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

2011	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Mr. Chen Ping (resigned on 10 March 2011)	339	11	350
Mr. Pu Fuzhong (resigned on 14 February 2011)	122	—	122
Ms. Ma Jian Ying (resigned on 10 March 2011)	226	11	237
Mr. Chau Shing Yim, David	372	12	384
Mr. Qin Jun (appointed on 19 January 2011)	626	1	627
Mr. Jiang Hongwen (appointed on 22 February 2011)	55	3	58
	1,740	38	1,778

2010	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Mr. Chen Ping	240	9	249
Mr. Pu Fuzhong	136	—	136
Ms. Ma Jian Ying	180	9	189
Mr. Chau Shing Yim, David	348	12	360
	904	30	934

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: three) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**937**	1,181
Pension scheme contributions	**24**	32
	961	1,213

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2011	2010
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**2**	3

10. INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Income tax:		
Current tax – Hong Kong Charge for the year	**—**	1,185
Current tax – Mainland China	**—**	—
Deferred tax *(note 26)*	**(84)**	—
Total income tax charge/(credit) for the year	**(84)**	1,185

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates income tax rates to the tax expense at the Group's effective income tax rates as at 31 March 2011 and 31 March 2010, is as follows:

Group	**2011** ***HK$'000***	**%**
Profit before tax from continuing operations	**943,680**	
Tax at the statutory tax rate	**235,920**	**25**
Income not subject to tax	**(251,385)**	**(26.6)**
Expenses not deductible for tax	**13,541**	**1.4**
Tax effect of unused tax losses not recognised	**1,744**	**0.2**
Effect of different taxation rates used in other tax jurisdictions	**96**	**—**
Tax credit at the Group's effective rate	**(84)**	**—**

Group	2010 *HK$'000* (Restated)	%
Profit before tax from continuing operations	8,595	—
Tax at the statutory tax rate	2,149	25
Income not subject to tax	(376)	(4.4)
Expenses not deductible for tax	231	2.7
Tax effect of unused tax losses not recognised	773	9
Tax effect of utilisation of tax losses previously not recognised	(860)	(10)
Effect of different taxation rates used in other tax jurisdictions	(732)	(8.5)
Tax charge at the Group's effective rate	1,185	13.8

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2011 includes total comprehensive loss of HK$97,864,000 (2010: HK$3,386,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DISCONTINUED OPERATION

The Company announced the decision of its board of directors to dispose of STR Media Limited in the current financial year. STR Media Limited engages in the business of broadcasting and content production and VCD trading. The Group has decided to cease the media business because it plans to focus its resources on its coal mining business. The disposal of STR Media Limited was completed on 16 July 2010. For the year ended 31 March 2011, STR Media Limited was classified as a discontinued operation.

The results of STR Media Limited for the year are presented below:

	2011 HK$'000	2010 HK$'000
Revenue	44	296
Other income	12	1,089
Expenses	(166)	(1,222)
Profit before tax from a discontinued operation	(110)	163
Income tax	—	—
(Loss)/Profit for the year from a discontinued operation	(110)	163

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,383,314,327 (2010: 1,000,861,000) in issue during the year, as adjusted to reflect the conversion of the Tranche A convertible notes and the exercise of share options during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and adjusted for the fair value loss recognised on the embedded derivative component of convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculations of basic and diluted earnings per share are based on:

	2011 *HK$'000*	2010 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	943,764	7,410
From a discontinued operation	(110)	163
	943,654	7,573
Attributable to:		
Continuing operations	943,764	7,410
Discontinued operation	(110)	163
	943,654	7,573

Shares	**Number of shares** 2011	2010
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,383,314,327	1,000,861,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	15,576,609,376	—
	16,959,923,703	1,000,861,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Office furniture and fixtures *HK$'000*	Equipment and others *HK$'000*	Mine properties *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 April 2010							
Cost	3,787	–	5	–	–	–	3,792
Accumulated depreciation	(3,079)	–	(1)	–	–	–	(3,080)
Net carrying amount	708	–	4	–	–	–	712
At 1 April 2010, net of accumulated depreciation	708	–	4	–	–	–	712
Acquisition of a subsidiary *(note 30)*	10,125	5,543	–	1,568	13,778,964	215,367	14,011,567
Additions	107	2,346	828	140	–	91,631	95,052
Depreciation provided during the year	(272)	(534)	(15)	(183)	–	–	(1,004)
Disposals	(697)	(351)	–	–	–	–	(1,048)
Exchange realignment	104	57	–	17	1,179	2,199	3,556
At 31 March 2011, net of accumulated depreciation	10,075	7,061	817	1,542	13,780,143	309,197	14,108,835
At 31 March 2011:							
Cost	10,337	7,533	833	1,725	13,780,143	309,197	14,109,768
Accumulated depreciation	(262)	(472)	(16)	(183)	–	–	(933)
Net carrying amount	10,075	7,061	817	1,542	13,780,143	309,197	14,108,835

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Office furniture and fixtures *HK$'000*	Equipment and others *HK$'000*	Mine properties *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 April 2009							
Cost	3,739	1,160	4	–	–	–	4,903
Accumulated depreciation	(2,587)	(935)	(1)	–	–	–	(3,523)
Net carrying amount	1,152	225	3	–	–	–	1,380
At 1 April 2009, net of accumulated depreciation	1,152	225	3	–	–	–	1,380
Additions	16	–	3	–	–	–	19
Depreciation provided during the year	(470)	(135)	(1)	–	–	–	(606)
Disposals	–	(90)	(1)	–	–	–	(91)
Exchange realignment	10	–	–	–	–	–	10
At 31 March 2010, net of accumulated depreciation	708	–	4	–	–	–	712
At 31 March 2010:							
Cost	3,787	–	5	–	–	–	3,792
Accumulated depreciation	(3,079)	–	(1)	–	–	–	(3,080)
Net carrying amount	708	–	4	–	–	–	712

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**—**	—
Acquisition of a subsidiary *(note 30)*	**70,769**	—
Amortisation for the year	**(455)**	—
Exchange realignment	**215**	—
Carrying amount at end of year	**70,529**	—
Current portion included in prepayments, deposits and other receivables	**(2,118)**	—
Non-current portion	**68,411**	—

The leasehold properties are situated in Mainland China and held under long term leases.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**7,800,000**	59,031
Less: Impairment losses	**—**	(59,031)
Amount due from a subsidiary	**—**	29,613
	7,800,000	29,613

The amounts due from subsidiaries included in the Company's current assets of HK$17,654,000 (2010: HK$8,025,000) are unsecured, interest-free and has no fixed terms of repayment.

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Up Energy Investment (China) Ltd. ("UE China")	BVI 31 October 2003	US$50,000	100.00	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. ("UE Xinjiang", 優派能源(新疆)礦業有限公司)	PRC 2 November 2005	US$30,000,000	70.00	Coal mining, manufacture and sale of coke and clean coke
Up Energy (Hong Kong) Limited ("UE HK")	Hong Kong 29 December 2009	HK$10,000	100.00	Investment holding
Up Energy International Ltd. ("UE International")	BVI 22 January 2010	US$50,000	100.00	Investment holding
Up Energy (Fukang) Coal Mining Ltd. ("UE Coal Ming")	PRC 4 February 2010	US$15,000,000	90.00	Mine construction
Up Energy (Fukang) Coking Ltd. ("UE Coking")	PRC 4 February 2010	US$11,500,000	70.00	Manufacture and sale of coke and clean coke
Up Energy (Fukang) Coal Washing Ltd. ("UE Coal Washing")	PRC 4 February 2010	US$5,000,000	70.00	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd. ("UE Water")	PRC 4 February 2010	US$3,200,000	70.00	Water recycling
Up Energy Development Group (HK) Ltd.	Hong Kong 4 November 2010	HK$1	100.00	Investment holding
Sun Arts Ltd.	Hong Kong 2 November 1993	HK$2	100.00	Provision of corporate services
Goldmax Trading Ltd.	Hong Kong 19 February 2009	HK$1	100.00	Multi-media product and component trading

During the year, the Group acquired UE China from Up Energy Holding Limited. Further details of this acquisition are included in note 30 to the financial statements.

For information on the disposal of certain of the subsidiaries of the Group during the year ended 31 March 2011, please refer to note 31 to the financial statements.

The Company has entered into a share charge in connection with the issue of the convertible notes (see note 25) of the Company. Pursuant to the share charge, the charge is created over (i) the entire issued share capital of Up Energy Investment (China) Ltd., (ii) the entire issued share capital of Up Energy International Ltd., and (iii) the entire issued share capital of Up Energy (Hong Kong) Limited. All of the companies are wholly owned subsidiaries of the Company. Save as above, the Group did not have any charges on assets as at 31 March 2011.

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2011 HK$'000	Group 2010 HK$'000
Unlisted investment, at cost	–	–
Arising on acquisition of a subsidiary *(Note (a))*	–	–
Share of post-acquisition loss	(115)	(87)
Share of other comprehensive loss	–	–
Share of net liabilities	(115)	(87)
Amount due from a jointly-controlled entity *(Note (b))*	207	148
Disposal of a subsidiary *(Note (c))*	(92)	–
	–	61

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted investment, at cost	–	–
Arising on acquisition of a subsidiary *(Note (a))*	–	–
Share of post-acquisition loss	–	–
Share of other comprehensive loss	–	–
Share of net liabilities	–	–
Amount due from a jointly-controlled entity *(Note (b))*	–	148
	–	148

Notes:

(a) During the financial year ended 31 March 2010, the Group acquired the entire issued share capital of Trend Advertising Company Limited ("Trend Advertising"), whose principal asset is a 49% equity interest in a jointly-controlled entity, Beijing Creative Star International Advertising Limited.

(b) The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The amount due is neither past due nor impaired.

(c) The Group disposed of its entire interest in Trend Advertising on 19 August 2010 for a cash consideration of HK$1,000.

18. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials and spare parts	14,272	–

At 31 March 2011, no inventories of the Group (2010: Nil) were pledged.

19. TRADING SECURITIES

	Group 2011 HK$'000	2010 HK$'000
Listed equity investments in Hong Kong, at fair value	–	16,620

The fair value of all equity investments are based on their current bid prices in an active market.

All of the trading securities were sold during the year ended 31 March 2011.

20. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade receivables	–	16,969
Less: Impairment provision	–	(1,741)
	–	15,228

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 three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

20. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**—**	13
1 to 2 months	**—**	15,212
2 to 3 months	**—**	3
Over 3 months	**—**	—
	—	15,228

The movements of allowance for impairment are analysed as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**1,741**	1,575
Exchange alignment	**—**	14
Disposal of subsidiaries	**(1,741)**	—
Impairment loss recognised	**—**	152
At end of the year	**—**	1,741

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**38,378**	215	**279**	204
Deposits	**913**	—	**381**	—
Staff advances	**148**	—	**—**	—
Other receivables	**1,531**	4,160	**25**	—
	40,970	4,375	**685**	204

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

		Group		Company	
	Notes	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash and bank balances		1,293,319	22,420	510,942	2,153
Less: Restricted bank deposits	(a)	(35,793)	—	—	—
Cash and cash equivalents		1,257,526	22,420	510,942	2,153
Denominated in RMB	(b)	210,805	—	—	—
Denominated in USD		284,667	—	2	8
Denominated in HK$		761,974	22,420	510,940	2,145
Denominated in CAD		80	—	—	—
		1,257,526	22,420	510,942	2,153

Notes:

(a) As at 31 March 2011, the Group's bank balances of approximately HK$9.9 million (2010: Nil) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 31 March 2011, the Group's bank balances of approximately HK$25.9 million (2010: Nil) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six months.

(b) At of 31 March 2011, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$210,805,000 (2010: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with credit worthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

23. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	—	392
Bills payables	22,052	—
	22,052	392

An aged analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	6,884	—
1 to 2 months	—	—
2 to 3 months	—	—
Over 3 months	15,168	392
	22,052	392

The trade and bills payables are non-interest-bearing and are normally settled within 180-day terms.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advances from customers	—	6,819	—	—
Accrued salaries, wages and benefits	567	—	—	—
Other taxes payables	(5,721)	—	—	58
Other payables	51,970	10,330	8,743	350
Accruals	3,119	627	1,108	—
	49,935	17,776	9,851	408

Other payables mainly include payables to suppliers or contractors in relation to the construction of the Group's property, plant and equipment, land lease and exploration assets, which are non-interest-bearing and have an average term of three months.

25. CONVERTIBLE NOTES

On 18 January 2011, the Company issued three tranches of convertible notes, namely Tranche A, Tranche B and Tranche C convertible notes.

Tranche A and Tranche B

Tranche A convertible notes with a principal amount of HK$3,480,000,000 and Tranche B convertible notes with a principal amount of HK$4,300,000,000 were issued as part of the consideration of HK$7.8 billion for the acquisition of UE China *(note 30)*.

Tranche A and Tranche B convertible notes are convertible at the option of the notes holders into ordinary shares on the basis of ten ordinary shares for every HK$1 convertible note held. The conversion period for Tranche A and Tranche B convertible notes commences on 18 January 2011 (the issue date) and 19 July 2011 (the day following the end of six months after the issue date) respectively, and expiring on 11 January 2016 (five business days proceeding the maturity date). The maturity date for these convertible notes is 18 January 2016 (the business day falling on the fifth anniversary of their issue date). These convertible notes are non-interest bearing and may be redeemed by the Company on the maturity date at their respective principle amounts outstanding.

HK$511,695,000 Tranche A convertible notes were converted by noteholders into ordinary shares during the period from the date of issuance to 31 March 2011, on the basis of ten ordinary shares for every HK$1 convertible note held.

Tranche C

The Company issued Tranche C convertible notes with a principal amount of HK$520,000,000, in order to finance the capital expenditures and operating costs required by the Group, subsequent to the acquisition, for the construction and development of the coal mines and the related coke processing facilities.

The conversion period for Tranche C convertible notes is the period commencing on 18 January 2011 and expiring on 11 January 2016. The maturity date is 18 January 2016.

Further, the Company may at its absolute discretion, elect to redeem the whole of or any part of the outstanding amount under Tranche C convertible notes at any time prior to the maturity date.

Tranche C convertible notes contain an early redemption option, however, as the directors believe as the convertible notes bear no interest, the early redemption price at par value approximates to the amortised cost of the host contract and the early redemption option is considered as closely related to the host contract. Hence the early redemption option needs not be measured at fair value with changes in fair value recognised in the consolidated income statement.

The fair value of the liability component of these convertible notes was estimated at the issue date and amortised using an equivalent market interest rate of 6.7% per annum. The residual amount is assigned as the equity component and is included in shareholders' equity.

25. CONVERTIBLE NOTES *(continued)*

The convertible notes issued during the year have been split as to the liability and equity components, as follows:

	Convertible notes at amortised costs *HK$'000*
At 1 April 2009 and 31 March 2010	—
Nominal value of convertible notes issued during the year	8,300,000
Equity component on initial recognition	(2,299,100)
Liability component on initial recognition	6,000,900
Amortised interest expense on convertible notes *(note 7)*	77,459
Conversion of Tranche A convertible notes	(511,695)
At 31 March 2011	5,566,664

26. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Group	
	2011 ***HK$'000***	2010 *HK$'000*
At beginning of the year	—	—
Fair value adjustment arising from acquisition of a subsidiary *(note 30)*	3,428,277	—
Deferred tax credited to the income statement during the year *(note 10)*	(84)	—
Gross deferred tax liabilities at end of the year	3,428,193	—

26. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Tax losses	**104,792**	147,088	**90,166**	90,166
(Accelerated)/decelerated tax depreciation	**(276)**	131	**—**	—
	104,516	147,219	**90,166**	90,166

The above tax losses are available indefinitely or not more than five years (depending on the jurisdiction in which such tax losses were incurred) for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. ISSUED CAPITAL

Shares

	Company	
	2011 **HK$'000**	2010 HK$'000
Authorised:		
100,000,000,000 (2010: 66,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	660,000
2,000,000,000 (2010: 2,000,000,000) convertible non-voting preference shares of HK$0.02 each	**40,000**	40,000
Total authorised share capital	**1,040,000**	700,000
Issued and fully paid		
6,118,410,913 (2010: 1,000,861,000) ordinary shares of HK$0.01 each	**61,184**	10,009

27. ISSUED CAPITAL *(continued)*

Shares *(continued)*

During the year, the movements in share capital were as follows:

(a) Tranche A convertible notes are convertible at the option of the noteholders into ordinary shares from the date of acquisition to 31 March 2011 on the basis of ten ordinary shares for every HK$1 convertible note held. As of 31 March 2011, an amount, before expenses of HK$51,169,531, was transferred from convertible notes to the share capital account.

(b) The subscription rights attaching to 596,112 share options were exercised at the subscription price of HK$0.169 per share (note 28), resulting in the issue of 596,112 shares of HK$0.01 each for a total cash consideration of HK$100,743. An amount of HK$37,453 was transferred from the share option reserve to the share premium upon the exercise of the share options.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue *'000*	Issued capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 31 March 2009 and 1 April 2010	1,000,861	10,009	37,161	47,170
Conversion of Tranche A convertible notes	5,116,954	51,169	460,526	511,695
Share options exercised	596	6	132	138
At 31 March 2011	6,118,411	61,184	497,819	559,003

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 29 October 2002 whereby the Board is authorised, at its discretion, to grant to employees of the Group, including directors of any company in the Group, and eligible grantees options to subscribe for the shares of the Company. The terms and conditions of the grant are determined by the Board at the time of grant. In any event, the exercisable period of an option must not exceed a period of ten years commencing on the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company. Options are forfeited if the employee leaves the Group.

The following share options were outstanding under the Scheme during the year:

	2011		2010	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 April	**0.169**	**596**	0.169	1,311
Forfeited during the year	**—**	**—**	0.169	(715)
Exercised during the year	**0.169**	**(596)**	—	—
At 31 March	**0.169**	**—**	0.169	596

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.169 per share (2010: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2011	**Number of options outstanding** *'000*	**Exercise price** *HK$*	**Exercise period**
Number of options	**—**	**—**	**N/A**

2010	Number of options outstanding *'000*	Exercise price *HK$*	Exercise period
Number of options	596	0.169	1/11/2008-31/10/2010

28. SHARE OPTION SCHEME *(continued)*

For the options granted on 28 March 2008, the fair value of services received in return for share options granted is measured with reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Binomial Pricing Model. The contractual life of the option and expectations of early exercise are incorporated into the model. The expected volatility is based on the historical volatility. Expected dividends are based on historical dividends as well as expectation on future period performance. Changes in subjective input assumptions could materially affect the fair value estimate.

The 596,112 share options exercised during the year resulted in the issue of 596,112 ordinary shares of the Company and new share capital of HK$5,961.12 and share premium of HK$132,234.81, as further detailed in note 27 to the financial statements.

On 12 May 2011, in a special general meeting, the shareholders of the Company have approved the refreshment of the 10% general limit on grant of options under the share option scheme of the Company.

At the date of approval of these financial statements, the Company had no granted options outstanding.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the financial statements.

(b) Company

	Issued share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Equity component of convertible notes *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 April 2009	10,009	37,161	84,798	71	–	(88,918)	43,121
Total comprehensive loss for the year	–	–	–	–	–	(3,386)	(3,386)
Forfeiture of share options	–	–	–	(33)	–	33	–
At 31 March 2010 and 1 April 2010	10,009	37,161	84,798	38	–	(92,271)	39,735
Total comprehensive loss for the year	–	–	–	–	–	(97,864)	(97,864)
Issue of convertible notes *(note 25)*	–	–	–	–	2,299,100	–	2,299,100
Conversion of Tranche A convertible notes *(note 25)*	51,169	460,526	–	–	–	–	511,695
Exercise of share options	6	132	–	(38)	–	–	100
At 31 March 2011	61,184	497,819	84,798	–	2,299,100	(190,135)	2,752,766

30. BUSINESS COMBINATION

On 18 January 2011, the Group acquired the 100% issued shares of UE China for a total consideration of HK$7.8 billion. The total consideration of HK$7.8 billion was satisfied by the Group in the following manner: (a) HK$10 million cash deposits was paid by the Group to Up Energy Holding Ltd. on 26 July 2010 and the remaining HK$10 million cash deposits was paid on 30 November 2010; (b) the Group issued two tranches of convertible notes, including the issue of the Tranche A convertible notes with a principal amount of HK$3,480,000,000 and the Tranche B convertible notes with a principal amount of HK$4,300,000,000 as part of the consideration of HK$7.8 billion.

The fair values of the identifiable assets and liabilities of UE China as at the date of acquisition were as follows:

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Property, plant and equipment	14,011,567
Prepaid land lease payments	70,769
Inventories	26
Prepayments, deposits and other receivables	33,127
Restricted cash	25,618
Cash and cash equivalents	772,078
Other payables and accruals	(38,905)
Bills payables	(15,812)
Deferred tax liabilities	(3,428,277)
Non-controlling interests	(2,645,167)
Net identifiable assets acquired	8,785,024
Gain on bargain purchase recognised	(985,024)
Fair value of cost of investment	7,800,000
Satisfied by cash	20,000
Satisfied by convertible notes	7,780,000
	7,780,000

30. BUSINESS COMBINATION *(continued)*

The fair values of the other receivables as at the date of acquisition amounted to HK$10,463,938. The gross contractual amounts of other receivables were HK$10,463,938, of which no other receivables are expected to be uncollectible.

The Group incurred transaction costs of approximately HK$25,274,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	2011 *HK$'000*
Cash consideration	(20,000)
Restricted cash	25,618
Cash and bank balances acquired	772,078
	777,696
Less: Restricted cash	(25,618)
Net inflow of cash and cash equivalents included in cash flows from investing activities	752,078
Transaction costs of the acquisition included in cash flows from operating activities	(16,901)
	735,177

At 31 March 2011, the amortised interest expense of convertible notes was HK$77,459,334. The interest expense is calculated using the effective interest method.

Since its acquisition, UE China contributed to the Group's revenue and as it is still in the development stage, it resulted in a loss of HK$7,751,000 to the consolidated profit for the year ended 31 March 2011.

The disclosures of the revenue and profit or loss of the combined entity for the current financial year as though the acquisition of UE China had been completed as of 1 April 2010 are impracticable as there are no audited results for the year ended 31 March 2011 for UE China.

31. DISPOSAL OF SUBSIDIARIES

The Company disposed of its entire interests in five subsidiaries, Trend Advertising Company Limited, STR Media Limited, Tidtime Future Optical Media Technology Ltd., Treasurepoint Limited and China Giant Investments Limited during the year. The Group has decided to focus its resources on its coal mining business.

Net liabilities disposed of:	*Notes*	2011 *HK$'000*
Property, plant and equipment		612
Cash and bank balances		245
Share of post-acquisition loss of a jointly-controlled entity		(115)
Trade receivables		32
Prepayments and other receivables		11
Trade payables		(395)
Accruals and other payables		(34,490)
		(34,100)
Gain on disposal of subsidiaries		11,731
		(22,369)
Satisfied by:		
Cash		301
Novation of intercompany balances	*(1)*	(22,019)
Release of exchange reserve		(651)
Total		(22,369)

(1) Novation of intercompany balances on disposal of subsidiaries.

As part of the disposal agreements, the Group has agreed to novate to the acquirers of these subsidiaries outstanding balances owed by these subsidiaries to group companies amounting to an aggregate amount of HK$22,019,000 for a nominal amount of HK$1,000. As the directors of the Group believe such novations form an integral part of the disposal of these subsidiaries, the gain or loss on such novations as not separately disclosed in the consolidated income statement.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2011 *HK$'000*
Cash consideration	301
Cash and bank balances disposed of	(245)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	56

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

a) As disclosed in note 30, the Group acquired the 100% issued shares of UE China for a total consideration of HK$7.8 billion. The Group issued two tranches of convertible notes (Tranche A and Tranche B) with an aggregate amount HK$7,780 million as part of the consideration for the acquisition.

b) HK$511,695,000 Tranche A convertible notes were converted by noteholders into ordinary shares during the period from the date of issuance to 31 March 2011, on the basis of ten ordinary shares for every HK$1 convertible note held.

33. CONTINGENT LIABILITY

On 10 July 2006, a legal action for damages of approximately HK$76,862,000 for breach of agreements was brought up by four plaintiff ("Plaintiffs"), who were the previous non-controlling interests holders of a former subsidiary of the Company. The Company is the first defendant and Investsource Limited (formerly known as "Sun Television Cybernetworks Company Limited") ("Investsource"), a former wholly-owned subsidiary of the Company that was disposed of by the Company in June 2004, is the second defendant.

It is alleged that in view of the failure by the Company and Investsource to acquire from the Plaintiffs the 60% equity interest in TV Viagens (Macau), S.A.R.L. ("TV Viagens") and to finance TV Viagens, TV Viagens is not financially able to continue its business due to short of working capital and therefore the shareholding of the Plaintiffs in TV Viagens becomes valueless.

The Plaintiffs claimed against the Company for damages of approximately HK$76,862,000 or such an amount as the court may determine, interest thereon, costs and/or other relief due to the Company's alleged breach of agreements to provide finance to TV Viagens for its operational costs and for the service fees payable by TV Viagens.

The case was supposed to be set down for trial by the Plaintiffs on or before 18 January 2008 but the Plaintiffs have failed to do so, and the application by the Company to strike out the Plaintiffs' claim was successful.

The Plaintiffs had appealed the decision to the High Court and on 23 March 2011 the Company received a judgement awarded by the Hong Kong High Court, in which the appeal lodged by the Plaintiffs was dismissed with costs awarded to the Company.

Subsequent to the financial year end, the Company received a Notice of Appeal that the Plaintiffs have filed to appeal the High Court's judgement to the Court of Appeal. Based on the legal advice from the external legal counsels of the company, the directors are of the opinion that the Plaintiffs' appeal is unlikely to succeed. Consequently, no provision has been made for any expenses which might arise from the legal action.

34. OPERATING LEASE ARRANGEMENTS

As lessee

The Group make the payment of office rental under operating lease arrangements. Payment for office rental is negotiated for terms of two years.

At 31 March 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
With one year	**1,554**	—	**1,554**	—
In the second to fifth years, inclusive	**915**	—	**915**	—
After five years	**—**	—	**—**	—
	2,469	—	**2,469**	—

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Company	
	2011	2010
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**232,451**	—

36. FINANCIAL INSTRUMENTS BY CATEGORY

Fair value of financial instruments

The carrying values of the Group's cash and cash equivalents, time deposits, trade receivables, other current assets, trade and accrued payables and other payables approximated to their fair values at the reporting date due to the short maturity of these instruments.

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Fair value of financial instruments *(continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 March 2011

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Trading securities	—	—	—	—

As at 31 March 2010

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Trading securities	16,620	—	—	16,620

The Company did not have any financial assets measured at fair value as at 31 March 2011 and 31 March 2010.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, and prepayments, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, other payables and accruals, and convertible notes.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from equity holders and the use of payables to related parties.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on undiscounted the contractual payments, is as follows:

Group

			2010		
Year ended 31 March 2010	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	—	—	392	—	392
Other payables and accruals	—	5,596	12,180	—	17,776
	—	5,596	12,572	—	18,168

			2011		
Year ended 31 March 2011	**On demand**	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade and bills payables	**—**	**22,052**	**—**	**—**	**22,052**
Other payables and accruals	**42,767**	**7,167**	**—**	**—**	**49,934**
	42,767	**29,219**	**—**	**—**	**71,986**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

Year ended 31 March 2010	On demand	Less than 3 months	2010 3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	—	65	343	—	408

Year ended 31 March 2011	**On demand**	**Less than 3 months**	**2011** **3 to less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Other payables and accruals	**—**	**9,851**	**—**	**—**	**9,851**

Interest rate risk

The Group's interest-bearing assets consist of cash deposits with fixed interest rates. The Group and the Company's interest-bearing liability represent convertible notes issued by the Company in 2011. The Group's policy is to manage its interest cost and income using fixed rate instruments. Therefore, the Group considers that the exposure to interest rate risk is insignificant.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, deposits and other receivables due from related parties included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Bank deposits are placed in banks with a strong credit rating. Management does not expect any losses from non-performance by these banks.

The credit risk of the Group's other financial assets, which comprise other receivables and restricted cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

Foreign currency risk

Other than the exposure of bank deposits made in foreign currencies, the Company and its subsidiaries are not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the directors of the Company review the capital structure on a regular basis. During the development and construction stage, the shareholders of the Company contributed capital based on the needs of these entities. Management will regularly review the capital structure.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the year.

38. SUBSEQUENT EVENTS

(a) Further to the judgement awarded by the High Court in favour of the Company as mentioned in note 33 to the financial statements, on 29 April 2011, the Company received a Notice of Appeal that the Plaintiffs wish to appeal the High Court's decision. On 10 June 2011, the Company received a notice that the Court of Appeal hearing date is set on 23 September 2011.

(b) On 12 May 2011, in a special general meeting, the shareholders of the Company have approved the followings:

   (i) the share consolidation of every twenty issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company into one ordinary share of HK$0.20; and

   (ii) the refreshment of the 10% general limit on grant of options under the share options scheme of the Company.

39. COMPARATIVE AMOUNTS

The comparative consolidated income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12). Except for that, no significant reclassification has been made to conform to the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 June 2011.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000* (Restated)	**2011** ***HK$'000***
TURNOVER					
Continuing operations	32,050	50,686	27,988	74,454	**26,077**
Discontinued operation	—	—	—	296	**44**
	32,050	50,686	27,988	74,750	**26,121**
OPERATING PROFIT/(LOSS)					
Continuing operations	(67,017)	(722)	1,937	8,595	**943,680**
Discontinued operation	—	—	—	163	**(110)**
PROFIT/(LOSS) BEFORE TAX	(67,017)	(722)	1,937	8,758	**943,570**
Income tax expense	—	—	—	(1,185)	**84**
PROFIT/(LOSS) FOR THE YEAR	(67,017)	(722)	1,937	7,573	**943,654**
Attributable to:					
Owners of the Company	(67,017)	(722)	1,937	7,573	**944,656**
Non-controlling interests	—	—	—	—	**(1,002)**
	(67,017)	(722)	1,937	7,573	**943,654**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	**2011** ***HK$'000***
TOTAL ASSETS	54,001	66,192	55,807	59,416	**15,525,807**
TOTAL LIABILITIES	(53,786)	(62,681)	(23,103)	(19,353)	**(9,066,844)**
	215	3,511	32,704	40,063	**6,458,963**
TOTAL EQUITY					
Attributable to:					
Owners of the Company	215	3,511	32,704	40,063	**3,800,153**
Non-controlling interests	—	—	—	—	**2,658,810**
	215	3,511	32,704	40,063	**6,458,963**

Up Energy Development Group Limited
優 派 能 源 發 展 集 團 有 限 公 司

Room 2704, 27/F., Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong
Tel: (852) 2972 9900
Fax: (852) 2527 8522