# PAN ASIA MINING LIMITED
# 寰亞礦業有限公司

（於開曼群島註冊成立之有限公司）
( Incorporated in the Cayman Islands with limited liability )
( Stock Code 股份代號 : 8173 )

# 2013
## ANNUAL REPORT
## 年報

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of Pan Asia Mining Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Pan Asia Mining Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# Contents

## BOARD OF DIRECTORS

### Executive Directors

Mr. Michael Koh Tat Lee *(Chairman)*
Mr. Cheung Hung Man *(Chief Executive Officer)*
Mr. Eng Wee Meng

### Non Executive Directors

Mr. Yin Mark Teh-min
Mr. Liang Tong Wei

### Independent Non-executive Directors

Mr. Lai Kai Jin, Michael
Mr. Chu Hung Lin, Victor
Mr. Tong Wan Sze

## COMPANY SECRETARY

Mr. Chan Ming Cho, Joe

## AUTHORISED REPRESENTATIVES

Mr. Eng Wee Meng
Mr. Chan Ming Cho, Joe

## COMPLIANCE OFFICER

Mr. Eng Wee Meng

## AUDIT COMMITTEE

Mr. Tong Wan Sze *(Chairman)*
Mr. Lai Kai Jin, Michael
Mr. Chu Hung Lin, Victor

## NOMINATION COMMITTEE

Mr. Michael Koh Tat Lee *(Chairman)*
Mr. Lai Kai Jin, Michael
Mr. Chu Hung Lin, Victor

## REMUNERATION COMMITTEE

Mr. Lai Kai Jin, Michael *(Chairman)*
Mr. Yin Mark Teh-min
Mr. Chu Hung Lin, Victor

## REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3008, Tower One,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## AUDITOR

RSM Nelson Wheeler
29th Floor, Caroline Centre,
Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

## PRINCIPAL BANKERS

Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

## STOCK CODE

8173

## COMPANY WEBSITE

http://www.pamining.com

## FINANCIAL REVIEW

The Group's turnover amounted to approximately HK$274,489,000 (2012: approximately HK$331,296,000), decreased by approximately HK$56,807,000 as compared to the same period in 2012. The significant decrease in sales revenue was mainly attributable to lower turnover of marine fuel business of HK$93,528,000 (2012: approximately HK$299,656,000) which has entered a hibernation since August 2012 in the light of the current economic situation and the unsatisfactorily thin operating margin. During the same period, revenue from coal business rose to approximately HK$167,165,000 (2012: approximately HK$17,447,000). Gross profit amounted to approximately HK$1,855,000 (2012: approximately HK$2,378,000). Other operating income amounted to approximately HK$3,524,000 (2012: loss approximately HK$7,955,000) which arose primarily from realised and unrealized gain in market value of held-for-trading equity and debt securities. Loss for the year decreased to approximately HK$127,971,000 as compared to approximately HK$7,458,904,000 of the same period last year which included a one-off impairment loss of approximately HK$7,342,417,000.

## CAPITAL STRUCTURE AND LIQUIDITY

As at 31 March 2013, the Company has outstanding zero coupon rate convertible bonds in the carrying value of approximately HK$618,791,000 (31 March 2012: approximately HK$525,718,000) convertible into 68,955,682 (31 March 2012: 68,955,682) ordinary shares of the Company of HK$0.50 each. The convertible bonds with outstanding principal amount totalling US$201,474,359 (equivalent to approximately HK$1,571,500,000) are due for full redemption on 18 December 2018.

As at 31 March 2013, the Group has a current ratio of 1.26 times. (2012: approximately 2.89 times). Gearing ratio, calculated based on non-current liabilities of approximately HK$619,157,000 (2012: approximately HK$526,059,000) against total equity of approximately HK$565,601,000 (2012: total equity of approximately HK$682,365,000) increased from 77.09% for 2012 to 109.47% for 2013.

As at 31 March 2013, the Group has no material contingent liability (31 March 2012: Nil).

As at 31 March 2013, the Group has no material capital commitment (31 March 2012: HK$4,365,000).

## MATERIAL ACQUISITIONS AND DISPOSALS

On 29 June 2012, the Group agreed to acquire 95% equity interests of PT Yaozhong Resources ("PTYZR"), a company incorporated in Indonesia, from Mr. Cheung Hung Man who was an independent third party to the Group at that time. PTYZR engages in coal trading business and has established an effective coal supply sourcing network in Indonesia. According to the terms of the acquisition agreement Mr. Cheung has been appointed as an executive director of the Company on 27 July 2012. The acquisition was completed on 11 September 2012 and the management expects that PTYZR will contribute a substantial part of the coal trading business with China Shipbuilding Industrial Complete Equipment and Logistics Company Limited ("CSICEL").

On 27 March 2013, the group agreed to acquire entire share capital of Brighton Asia Pacific Investment Holdings Limited ("Brighton"), a company incorporated in Hong Kong. Brighton holds the entire equity interest in a PRC company, Xiamen Yaozhong Asia-Pacific Trading Company Limited, a wholly foreign owned enterprise established in the PRC, which is principally engaged in trading of coal and has been granted the license to operate coal business in the PRC under which it is allowed to import coal into the PRC. The acquisition was completed on 31 May 2013 and the management believes that integrating the business of the Group with that of Brighton will strengthen the coal trading network and flow of the Group. Besides, the integration will also allow the Group to better position itself in the PRC for further expansion and to grasp business opportunities in the future in coal business.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group has 30 full time employees (2012: 17) in Hong Kong, Singapore, Indonesia and Mainland China. During the year ended 31 March 2013, the Group incurred staff cost (including Directors' emoluments of approximately HK$12,454,000 (2012: approximately HK$10,258,000).

Employees are remunerated with reference to market terms and according to their individual work performance, qualification and experience. Remuneration includes monthly basic salaries, retirement benefits under the Mandatory Provident Fund, medical schemes and performance-lined discretionary bonuses.

All qualifying Group employees in Hong Kong participate in the Mandatory Provident Fund Scheme (the "Scheme"). The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. Group contributions were grossly matched by employee contributions.

The emoluments of the executive Directors are recommended by the remuneration committee, and approved by the Board as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' experience, responsibility, workload and the time devoted to the Group; and the executive Directors may be granted options pursuant to the Share Option Scheme as defined in note 31 to the financial statements and/or any other such schemes of the Company as part of their remuneration package.

## BORROWING FACILITIES

As at 31st March 2013, the Group has obtained a credit facilities from a banker up to a maximum amount of US$2 million and the credit line approximately HK$2,338,000 (2012: Nil) has been utilized.

## PLEDGE OF ASSETS

At 31 March 2013, certain bank deposits and held-for-trading investments of the Group with carrying value of approximately HK$3,279,000 (2012: HK$113,000) and HK$9,157,000 (2012: HK$28,195,000), respectively were pledged to secure general banking facilities granted to the Group.

## TREASURY POLICIES

The functional currency of the Company and its subsidiaries is mainly denominated in United States Dollar and the majority of the Group's tangible assets are denominated in Hong Kong dollars. The outstanding convertible bonds are denominated in United States dollars and are redeemable or convertible using an agreed fixed rate of HK$7.8 to US$1.0. As a result the convertible bonds have no exposure to exchange rate fluctuations. The Group has no other material exposure to exchange rate risks and has not made any arrangement to hedge against expenses, assets and liabilities for exchange rate fluctuation.

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by all effective means. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## BUSINESS REVIEW

### COAL BUSINESS

The Group commenced the first coal trading transaction in February 2012. Since then we have successfully completed 9 shipments of coal from various loading ports in Indonesia to discharge ports in Southern China. Total quantity of thermal coal shipped exceeds 500,000 metric tons generating revenue of approximately HK$167 million for the year ended 31 March 2013.

To facilitate coal sourcing in Indonesia the Group acquired PT Yaozhong Resources ("PTYZR") during the year. PTYZR has already established its sourcing network and contacts with local coal mine owners in the country. Besides, it has set up 2 laboratories near major coal suppliers. Coal stockpiled in jetty ready for ship loading will be tested on sampling basis to assure consistency of coal quality purchased and shipped. Any major discrepancy, if found, can be resolved with mine owners before actual loading onto mother vessel.

After establishing setups on the supply side the Group also acquired Xiamen Yaozhong Asia-Pacific Trading Co. Ltd ("XMYZ") by acquiring its Hong Kong holding company Brighton Asia Pacific Investment Holdings Ltd last month. XMYZ is the only wholly foreign-owned enterprise in Xiamen City being awarded a coal business license. Having the license XMYZ is able to import coal and conduct customs clearance procedures without going through an import agent which enables the Group to retain higher gross margin on trading transactions.

### BUNKER FUEL

Consistently thin gross margin of the fuel trading business has been attracting concerns of the Group management. The operation has been temporarily suspended since August last year pending a business re-modelling. During the process the management has been actively seeking for new source of supply at lower costs.

In March 2013 the Group entered into contracts with CSICEL for the purchase and sale of bunker fuel. According to the contract terms CSICEL has placed deposit of US$25.5 million to the Group in March 2013 as source of fund for the Group to purchase bunker fuel. The contract with supplier is still under negotiation as of today. We look forward to the new page to be brought by closing the supply contract.

### SCRAPS

The business has been cautiously run avoiding any unnecessary big leap during the year. The operation requires special industry skills and decisive management and so it has been carefully progressing in this area and at the same time widening its geological coverage to build up its solid business foundation. Total turnover for the year is approximately HK$14 million.

### MINERAL EXPLORATION

During the year there was no major exploration work done in the area covered by the exploration permit ("EP") in order to preserve resources during the application for mineral production sharing agreement ("MPSA") conversion. According to the EP terms additional 10% of the 41,094 hectares covered by the original EP has to be relinquished soon. The Group will, like last year, carve out areas having lowest potential mining value for relinquishment. It should be noted that although area covered by the EP reduces, there should be no impact to the carrying value of the exploration and evaluation assets. It is because the carrying value was evaluated based on the drilling data obtained from the explored areas of 1,300 hectares only and such area is covered by the 5,000 hectares under the MPSA conversion application.

Although progress on the application for conversion of an area of approximately 5,000 hectares into a MPSA was not ideal, it has been proceeding forward and the management do not foresee any major obstacle to obtaining approval for the MPSA conversion.

## PROSPECTS

After completing acquisition of PTYZR and XMYZ the Group is now in a much better position to march forward in the industry. We found ourselves having better competitive edge over our competitors. Firstly we have our own import license to control business costs. Secondly our local presence at the mining site, which is highly appraised by our major customers, significantly minimized risk exposures to frauds or significant variations in coal quality shipped. Together with the listed company backing our trading operation companies found themselves easier to win confidence votes from major suppliers in Indonesia and end customers in China.

Establishing concrete presences in Indonesia and China is not the end of our business set up. All market participants recognise the need of securing stable supply of coal. The Group has been actively seeking for appropriate investment opportunities in coal mines in Indonesia. We believe that acquiring interests in mining operation is the major driver to promising profit growth.

On the other hand, the management still believes in the promising future of bunker fuel business in light of the worldwide economic growth over decades. Singapore is the right place to start the business as it is the regional hub of oceanic transports. Meanwhile the management is also considering possibility of entering into the fuel loading business by which, wider profit margin can be achieved.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain and ensure high standards of corporate governance practices. Except for the deviations as disclosed in this report, the Company has complied with the code provisions set out in Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") (the "**CG Code**") throughout the year ended 31 March 2013.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

The Company confirms that, having made specific enquiry from all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 March 2013.

The Company has adopted the same code of conduct for securities transactions by relevant employees to regulate certain employees of the Group who are deemed to be in possession of unpublished price sensitive information of the Company when dealing in the securities of the Company.

## BOARD OF DIRECTORS

The Board of the Company comprises the following members:

| **Name** | **Change** |
|---|---|
| **Executive Directors** | |
| Mr. Michael Koh Tat Lee *(Chairman)* | |
| Mr. Eng Wee Meng | |
| Mr. Cheung Hung Man *(Chief Executive Officer)* | (appointed on 27 July 2012) |
| **Non-Executive Directors** | |
| Mr. Yin Mark Teh-min | |
| Mr. Liang Tong Wei | |
| **Independent Non-executive Directors** | |
| Mr. Lai Kai Jin, Michael | |
| Mr. Chu Hung Lin, Victor | |
| Mr. Tong Wan Sze | |

The biograhies of the current directors are set out on pages 16 to 18 of this report. The Directors do not have any relationship (including financial, business, family or other material/relevant relationship(s)) with each other except that Mr. Michael Koh Tat Lee is the brother-in-law of Mr. Yin Mark Teh-min.

The Board is responsible for the leadership and control of the Company. It also oversees the Group's business, strategic decisions and directions, and performances including an oversight of the management of the Group. The management of the Group has been delegated with the authority and responsibility by the Board for the general and day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of the committees are set out in this report.

The Non-Executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on audit committee, remuneration committee, and nomination committee. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

Throughout the year ended 31 March 2013, the Company has complied with Rule 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise. All independent non-executive Directors are considered to be independent by the Board as the Board has received from each independent non-executive Director his annual confirmation on independence as required by Rule 5.09 of the GEM Listing Rules.

The Board meets regularly to review the financial and operating performance of the Company. During the financial year ended 31 March 2013, the Board held 4 regular Board meetings (within the meaning of the CG code) at approximately quarterly interval and 6 other Board meetings which were convened when board-level decisions on particular matters were required. During the regular Board meetings the Directors discuss and formulate the overall strategies of the Company, review and monitor the business and financial performances and discuss the quarterly, half-yearly and annual results, as well as discuss and decide on other significant matters. The Chairman of the Board has met once with the non-executive directors (including independent non-executive directors) without the executive directors present according to the code provision A.2.7 of the CG Code. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees on page 13 of this report**.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were absent from the last year annual general meeting held on 30 July 2012 due to their other important engagement at the relevant time. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees on page 13 of this report.**

Under code provision A.1.8 of the CG Code, the Company had arranged insurance cover in respect of legal actions and potential claims against the Directors throughout the year ended 31 March 2013.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The role of chairman is primarily responsible for leading the Board in setting strategic decision and policies direction and also ensuring the effectiveness of management in execution of the strategy approved by the Board. Responsibilities for general and day-to-day operations of the Group lie with the other executive Directors and management of the Group and each business units thereof.

Subsequent to the resignation of the former chief executive officer on 2 January 2009, the post has been vacant. On 27 July 2012, Mr. Cheung Hung Man has been appointed as the chief executive officer of the Company.

## ROTATION OF DIRECTORS

Under code provision of A.4.2, every director should be subject to retirement by rotation at least once every three years. Although the existing articles of association of the Company do not have exact provisions to this effect, they do however provide that one-third of the Directors shall retire from office by rotation and the Directors to retire in every year shall be those who have been longest in office since their last election. The actual operation of the aforesaid provisions of the existing articles of association of the Company should in principle result in each Director being subject to retirement by rotation at least once every three years. Considered in this perspective, the Company has substantially complied with the CG Code regarding the requirement that every Director should be subject to retirement by rotation at least once every three years. In addition, the Board will ensure that the provision of A.4.2 of the CG Code will be complied with in practice.

## TRAINING FOR DIRECTORS

For each newly appointed directors, the Company has provided induction and information to ensure that he/she has a clear understanding of the Company's operations and business and is fully aware of his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Directors understand the need to continue developing and refreshing their knowledge and skills for making contributions to the Company. The Company provides regular updates, changes and developments relating to the Group's business and the legislative and regulatory requirements to the Directors.

The Directors has complied with Code Provision A.6.5 of the CG Code on Directors' training. All Directors has participated in continuous professional development to develop and refresh their knowledge and skills and kept a record of training they received for the year ended 31 March 2013.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established in March 2006 and currently consists of three members, one of which is a non-executive Director, Mr. Yin Mark Teh-min and the other two are independent non-executive Directors, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor. The chairman of the Remuneration Committee is Mr. Lai Kai Jin, Michael.

The roles and functions of the Remuneration Committee are set out in the written terms of reference of the Remuneration Committee which include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, making recommendations to the Board on the remuneration of the non-executive Directors and to review and approve performance-based remuneration. The terms of reference can be obtained from the website of the Company and the Stock Exchange.

For the financial year ended 31 March 2013, the remuneration of Directors of the Group was determined by their experience, responsibility, workload and the time devoted to the Group. Executive Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

The Remuneration Committee held two meetings during the financial year ended 31 March 2013. At the said meeting, the Remuneration Committee reviewed and approved the remuneration packages of the existing Directors and the newly appointed Director. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees on page 13 of this report**.

Details of Directors' emoluments for the financial year ended 31 March 2013 are set out in the note 12 to the financial statements.

## NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established in March 2012 and currently consists of three members, one of which is the chairman, Mr. Michael Koh Tat Lee and the other two are independent non-executive Directors, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor. The chairman of the Nomination Committee is Mr. Michael Koh Tat Lee.

The roles and function of the Nomination Committee are set out in the written terms of reference of the Nomination Committee which include the review of the structure, size and composition (including the skills, knowledge of and experience) of the Board, making recommendations on any proposed changes and on the appointment and re-appointment of and succession planning for directors and to assess the independence of independent non-executive directors. The terms of reference can be obtained from the website of the Company and the Stock Exchange.

During the financial year ended 31 March 2013, the Nomination Committee held one meeting to review and make recommendation on the appointment of Mr. Cheung Hung Man as an executive Director. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees on page 13 of the report**.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises four members of which one is a non-executive Director, Mr. Yin Mark Teh-min and three independent non-executive Directors, Mr. Lai Kai Jin, Michael, Mr. Chu Hung Lin, Victor and Mr. Tong Wan Sze. The chairman of the Audit Committee is Mr. Tong Wan Sze.

The role and functions of the Audit Committee are set out in the written terms of reference of the Audit Committee which includes to oversee the relationship with auditor, to review and supervise the financial reporting system and internal controls procedures of the Group and to review and approve the Company's annual reports and accounts, interim report and quarterly reports to the Board. The terms of reference can be obtained from the website of the Company and the Stock Exchange.

The Audit Committee has reviewed the Group's unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2013 and also reviewed the system of internal control of the Group in accordance with provision C.2.1 of the CG Code. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group.

The Audit Committee held 4 meetings during the financial year ended 31 March 2013. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees on page 13 of this report**.

## DETAILS OF THE ATTENDANCE OF EACH MEMBER OF THE BOARD AND COMMITTEES:

| Name | Change | Board Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Audit Committee Meeting | Board Meeting for chairman and non-executive directors | Annual general meeting |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Mr. Michael Koh Tat Lee *(Chairman)* | | 8/10 | – | 1/1 | – | 1/1 | 1/1 |
| Mr. Eng Wee Meng | | 10/10 | – | – | – | – | 1/1 |
| Mr. Cheung Hung Man | (appointed on 27 July 2012) | 5/6 | – | – | – | – | – |
| **Non-Executive Directors** | | | | | | | |
| Mr. Yin Mark Teh-min | | 7/10 | 1/2 | – | 4/4 | 1/1 | – |
| Mr. Liang Tong Wei | | 8/10 | – | – | – | 1/1 | – |
| **Independent Non-executive Directors** | | | | | | | |
| Mr. Lai Kai Jin, Michael | | 8/10 | 2/2 | 1/1 | 4/4 | 1/1 | 1/1 |
| Mr. Chu Hung Lin, Victor | | 10/10 | 2/2 | 1/1 | 4/4 | 1/1 | – |
| Mr. Tong Wan Sze | | 8/10 | – | – | 4/4 | 1/1 | – |

## CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties in the Code Provision D.3.1 as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Compnay's policies and practices an compliance with legal and regulatroy requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## AUDITOR'S REMUNERATION

For the year ended 31 March 2013, the total remuneration in respect of audit services and other non-audit services provided by the auditor of the Company, RSM Nelson Wheeler, were HK$550,000 and HK$50,000 respectively.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 March 2013, which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's result and cash flows for year then ended. In preparing the financial statements for the year ended 31 March 2013, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgement and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The statement of the auditor of the Company, RSM Nelson Wheeler, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 28 to 29 of this annual report.

## COMPANY SECRETARY

The Company Secretary of the Company is Mr. Chan Ming Cho, Joe ("Mr. Chan"). During the financial year ended 31 March 2013, the Company Secretary is responsible for distributing detailed documents to the Directors prior to the Board Meetings to ensure the Directors are able to make informed decision regarding the matters discussed in the meetings. And all Directors have access to the advice and service of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations are followed. Mr. Chan has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting

Pursuant to Article 72 of the Company's Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

### Procedures for sending enquiries to the board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Board of Directors/Company Secretary at the Company's principal office in Hong Kong. For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's principal office in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## SHAREHOLDERS AND INVESTORS RELATIONS

The Board recognizes the importance of maintaining a close relationship with shareholders of the Company and investors by clear, timely and an effective communication. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. The Board has maintained close communications with the shareholders and investors of the Company through (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings which provides an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website which provides an effective communication platform between the Company, its shareholders and investors.

There is no significant change in the Company's constitutional documents for the year 31 March 2013.

## REVIEW OF INTERNAL CONTROL SYSTEM

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness and the Board has conducted a review of the effectiveness of the system of internal control of the Group in accordance with provision C.2.1 of the CG Code. The review has covered all materials controls, including financial, operational and compliance controls and risk management functions. In the view of the Board, the system of internal control of the Group is sufficient to safeguard the interests of the Group. The duties of the Audit Committee also include reviewing and supervising the internal control procedures of the Group.

## EXECUTIVE DIRECTORS

**Mr. Michael Koh Tat Lee ("Mr. Koh")**, aged 46, is the chairman of the Company since 30 November 2011 and the chairman of nomination committee since 31 March 2012. Mr. Koh is also the chairman of Black Sand Enterprises Limited and is a director in all subsidiaries and associated companies of the Company, except a subsidiary at Indonesia. He holds a Master degree of Electrical Engineering and a Master degree of Industrial Engineering from Columbia University in the United States. Mr. Koh possesses more than 10 years of experience in the telecommunications industry and project management. He has worked at Bell South and AT & T in the United States and was promoted to technical director before he left AT & T. Mr. Koh was the vice president of First Pacific Company Limited (stock code: 0142). During his tenure at First Pacific Company Limited from year 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from year 1995 to 1997. Mr. Koh was an executive director of M Dream Inworld Limited (stock code: 8100) and the chairman of China Railway Logistics Limited (stock code: 8089, formerly known as Proactive Technology Holdings Limited) before joining the Group. Mr. Koh is the brother-in-law of Mr. Yin Mark Teh-min.

**Mr. Eng Wee Meng ("Mr. Eng")**, aged 46, is an executive Director of the Company since 11 April 2011. Mr. Eng is also the director in several subsidiaries and associated companies of the Company. Mr. Eng holds a bachelor's degree in business administration specializing in accounting, finance, and management science from the University of California, Berkeley, U.S.A. He has accumulated over 19 years of experience in commercial banking, international trade, distribution, retail operations, international fund raising, corporate finance and pharmaceutical developments from various senior positions in different international and regional companies. Before joining the Company he was the General Manager of PDC Pharmaceutical Development (China) Company Limited, a wholly owned foreign entity and medical packaging company that produces intravenous injection solutions packaging located in Zhongshan, Guangdong Province. He was responsible for full profit and loss and strategic development of the company. In 2008 to 2009, he held the position of General Manager, Business Development Department of New-AIKOR Company Limited (currently known as New A-Innovation Company Limited), a biotech company involved in the development of intravenous therapeutic products and was responsible for all matters related to the PRC market which includes liaison with the State Food and Drug Administration, local government departments of its Research and Development and production facility, and identifying investment opportunities in the PRC. In 2006 to 2008, he was the Director of Corporate Finance of Advantek Biologics (Hong Kong) Ltd., a biotech company involved in human plasma derived therapeutics products, responsible for mergers and acquisitions, strategic planning, and international fund raising.

**Mr. Cheung Hung Man ("Mr. Cheung")**, aged 46, is an executive director and chief executive officer of the Company since 27 July 2012. Mr. Cheung is also the director of PT Yaozhong Resources. Mr. Cheung is primarily responsible for the coal trading business of the Group. Since 2009, Mr. Cheung has been the president and chief executive officer of PT Yaozhong Resources Yaozhong and Xiamen Yaozhong Asia-Pacific Trading Company Limited. In 2011, Mr. Cheung co-founded Shinegood Culture Museum and is currently a chairman of Shinegood Media Co., Ltd. Mr. Cheung is also a guest professor of Art College, Xiamen University. Before that, Mr. Cheung received a bachelor's degree in architecture from Quanzhou Huaqiao University in 1990. In 1993, he became the deputy managing director of Wuyi Decoration Design Engineering Co., Ltd under Wuyi Group (Hong Kong) and was promoted to managing director in 2005. From 1993 to 2000, Mr. Cheung had completed over 100 engineering design projects and was awarded the title of China Senior Interior Designer in 2000.

## NON-EXECUTIVE DIRECTORS

**Mr. Yin Mark Teh-min ("Mr. Yin")**, aged 43, is a non-executive Director and a member of each of the audit and remuneration committee of the Company since 20 May 2008. Mr. Yin is an independent consultant with over 18 years of experience as an operational sales and marketing executive. He has held executive management and operational roles in the United States and Asia including business planning and management of large scale projects spanning multiple organizations. Prior to his consultancy, he most recently served as a vice president at Infinera Corporation, a manufacturer of telecommunications equipment, where he led the marketing efforts and, later, Asia Pacific sales and market development. Previously, Mr. Yin served as an executive in sales and marketing roles at Lightera Networks, Ciena Corporation and Cisco Systems/Stratacom. Mr. Yin earned a Bachelor of Science in Electrical Engineering at Rutgers University and a Master of Science in Operations Research at Stanford University. Mr. Yin is the brother-in-law of Mr. Michael Koh Tat Lee.

**Mr. Liang Tong Wei ("Mr. Liang")**, aged 46, is a non-executive Director of the Company since 30 November 2011. He holds a bachelor degree of Industrial and Business Administration and Management from Foshan Radio and Television University (佛山市廣播電視大學) in the People's Republic of China ("PRC"). Mr. Liang possesses about 26 years of experiences in the business administration and management. He has worked at 佛山市奇槎色料廠and 佛山市宏陶陶瓷集團有限公司in the PRC and was promoted to sales general manager before he left 佛山市宏陶陶瓷集團有限公司. Mr. Liang has been the chairman and general manager of 佛山市三水宏源陶瓷企業有限公司 since 2004.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lai Kai Jin Michael ("Mr. Lai")**, aged 43, is an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee of the Company since 18 February 2008 and a member of the nomination committee since 31 March 2012. Mr. Lai graduated from the National University of Singapore with a LL.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with over 100 professional staff and offices in Singapore, Shanghai, Hanoi and Ho Chih Minh, where he headed the firm's International Trade and Shipping department. Mr. Lai's practice focused on marine insurance, shipping and admiralty law and involved handling legal disputes arising out of international trade and transport. Mr. Lai has acted as lead counsel in numerous cases before the High Court and Court of Appeal of Singapore and in arbitrations. Mr. Lai was formerly the Chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association. Mr. Lai is currently the Chairman of PVKeez Pte Limited, a joint venture between EOC Limited ("EOC"), Ezra Holdings Limited, Keppel Corporation Limited and PetroVietnam Transportation Corporation set up for the conversion, management and operation of a Floating Production Storage and Offloading ("FPSO") facility in Vietnam's Chim Sao oilfield; a contract worth US$1 billion, with all options exercised. Mr. Lai sits on the Board of Directors of Select Group Limited, a company whose shares is listed on the Singapore Stock Exchange and Interlink Petroleum Limited, a company whose shares is listed on the Mumbai Stock Exchange. Mr. Lai also holds the position as a non-executive Director of NagaCorp Limited (stock code: 3918), a company whose shares is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Mr. Chu Hung Lin, Victor ("Mr. Chu")**, aged 45, is an independent non-executive Director and a member of each of the audit committee and remuneration committee of the Company since 1 June 2009 and a member of the nomination committee since 31 March 2012. Mr. Chu has a diversified experience in the industries of film production, land development, private pre-IPO investment and food and catering. During the period from January 2001 to June 2003, he was the deputy chairman and executive director of Climax International Company Limited (stock code: 439), shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Since 2003, he has been actively involved in food and beverage business and has been a shareholder and director of certain private companies. Mr. Chu is responsible for the business development and product development of such companies.

**Mr. Tong Wan Sze ("Mr. Tong")**, aged 45, is an independent non-executive Director and the chairman of the audit committee of the Company since 29 December 2010. Mr. Tong has over 20 year's experience in overseeing financial management, merger and acquisition, investor relations and company secretarial matters. Before joining the Company, Mr. Tong took up the position as the Chief Financial Officer and Company Secretary of Solargiga Energy Holdings Limited (stock code: 757), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Previously Mr. Tong was the Financial Controller of two companies listed on the Main Board of the Stock Exchange and was an auditor at Deloitte Touche Tohmatsu. He is a Fellow of the Association of Chartered Certified Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Certified Tax Advisor in Hong Kong. Mr. Tong has obtained a Master degree in Business Administration from the University of Strathclyde in the United Kingdom.

The Directors present their annual report together with the audited consolidated financial statements of the Company for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 36 to the financial statements.

## SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 March 2013 are set out in note 6 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2013 are set out in the Consolidated Statement of Comprehensive Income on page 30.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2013.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 89 to 90.

## SUBSIDIARIES AND ASSOCIATES

Particulars of subsidiaries and associates of the Group are set out in notes 36 and 19 to the financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements. Save for the share option exercised during the year as disclosed in note, there was no other conversion or subscription rights under any convertible securities, options, warrants or similar rights of the Group being exercised during the year ended 31 March 2013.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 35 to the financial statements respectively.

The Company had no reserves available for distribution to shareholders of the Company as at 31 March 2013 (2012: Nil).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2013.

## RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (Chapter 57 laws of Hong Kong). The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$20,000 and has been changed to HK$25,000 on 1 June 2012. Contributions made to the scheme are vested immediately.

The employees of the subsidiaries of the Group in the PRC participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 March 2013, the Group's total contributions to the retirement schemes charged in the Consolidated Statement of Comprehensive Income amounted to approximately HK$488,000 (2012:HK$242,000).

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2013, the aggregate sales attributable to the Group's five largest customers accounted for approximately 94.97% (2012: 91.82%) of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 54.01% (2012: 52.41%) of the Group's total sales. During the year ended 31 March 2013, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 99.02% (2012: 99.20%) of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 54.14% (2012: 90.70%) of the Group's total purchases.

None of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the share capital of any of the five largest customers and suppliers of the Group.

## DIRECTORS

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

### Executive Directors

Mr. Michael Koh Tat Lee

Mr. Eng Wee Meng

Mr. Cheung Hung Man (appointed on 27 July 2012)

### Non-Executive Directors

Mr. Yin Mark Teh-min

Mr. Liang Tong Wei

### Independent Non-executive Directors

Mr. Lai Kai Jin, Michael

Mr. Chu Hung Lin, Victor

Mr. Tong Wan Sze

Pursuant to Article 99 of the articles of association of the Company applicable at the relevant time of appointment, Mr. Cheung Hung Man shall retire at such forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

Pursuant to Article 116 of the articles of association of the Company, Mr. Eng Wee Meng, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor shall retire from office by rotation at such forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

All executive Directors, Mr. Michael Koh Tat Lee, Mr. Eng Wee Meng and Mr. Cheung Hung Man have entered into service contracts with a wholly owned subsidiary of the Company. The service contracts have no fixed termination date but can be terminated by either party by three months' written notice to the other party. They are subject to rotation and re-election provisions in the articles of association of the Company.

Each of the current non-executive Director and independent non-executive Directors has entered into a service contract with the Company with a fixed term of office of 1 year on the date of their appointment. Such service contracts will be automatically renewable for successive terms of one year unless terminated by either party by one month is written notice to the other party. They are subject to rotation and re-election provisions in the articles of association of the Company.

Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting of the Company has any service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out on pages 16 to 18 of this annual report.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the financial statement.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 34 and 37 to the financial statements, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## INDEPENDENCE CONFIRMATION

The Company has received annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors, namely Mr. Lai Kai Jin, Michael, Mr. Chu Hung Lin, Victor and Mr. Tong Wan Sze, and as at the date of this report considers them to be independent.

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

As at 31 March 2013, the interests or short position of each Directors and chief executives of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

## The Company

### Long and short positions in Shares of the Company

| Name of directors/ chief executive | Number of Shares | | Approximate percentage of shareholding | Capacity |
|---|---|---|---|---|
| Michael Koh Tat Lee | 272,829,600 | (L) | 29.71 | Interest of spouse *(Note 1)* |
| | 252,153,400 | (S) *(Note 5)* | 27.46 | Interest of spouse *(Note 1)* |
| Liang Tong Wei | 100,000,000 | (L) | 10.89 | Beneficial owner |
| Cheung Hung Man | 91,000,000 | (L) | 9.91 | Interest of controlled corporation |
| | 25,295,000 | (L) | 2.76 | Beneficial owner |
| Sub-total: | 116,295,000 | (L) | 12.67 | *(Note 2)* |
| Eng Wee Meng | 1,400,000 | (L) | 0.15 | Beneficial owner *(Note 3)* |
| Yin Mark Teh-min | 50,000 | (L) | 0.01 | Interest of spouse |
| | 7,600 | (L) | — | Beneficial owner |
| Sub-total: | 57,600 | | 0.01 | *(Note 4)* |

(L) — Long position; (S) — Short position

*Notes:*

1. Ms. Wong Eva, being the wife of Mr. Michael Koh Tat Lee ("Mr. Koh"), is interested in 272,829,600 Shares. Therefore, Mr. Koh is deemed to be interested in 272,829,600 Shares.

2. Mr. Cheung Hung Man ("Mr. Cheung") is interested in 25,295,000 Shares and another 91,000,000 Shares to be issued to Brighton Asia Pacific Investment Limited (or the nominee(s) as it may direct), a company wholly-owned by Mr. Cheung, according to the terms of the sale and purchase agreement dated 27 March 2013.

3. Mr. Eng Wee Meng was granted an option to subscribe 1,400,000 Shares on 27 March 2013 under the Share Option Scheme adopted by the Company on 30 July 2012.

4. Ms. Wong Shu Wah, Ceci, being the wife of Mr. Yin Mark Teh-min ("Mr. Yin"), is interested in 50,000 Shares. Accordingly, Mr. Yin is deemed to be interested in such 50,000 Shares. Mr. Yin also holds 7,600 Shares as beneficial owner. Therefore, Mr. Yin is interested in 57,600 Shares.

5. Pursuant to the security document dated 13 March 2013 entered into between Kesterion Investments Limited (a company wholly-owned by Ms. Eva Wong) and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited, a security over the 252,153,400 Shares and the Convertible Bonds held by Kesterion Investments Limited (upon the full conversion at a conversation price of HK$22.79 per conversion share, a total of 68,955,682 Shares shall be issued to Kesterion Investments Limited) was created in favour of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited.

Save as disclosed above, there are no long and short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 31 March 2013, the following persons (other than Directors and chief executives of the Company) had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

### Long and short positions in Shares of the Company

| Name of shareholder | Number of Shares of the Company | Approximate percentage of shareholding | Capacity |
|---|---|---|---|
| Kesterion Investments Limited | 272,558,400 (L) | 29.68 | Beneficial owner (Note 1) |
| | 252,153,400 (S) | 27.46 | Beneficial owner (Note 3) |
| Wong, Eva | 272,558,400 (L) | 29.68 | Interest of controlled corporation (Note 1) |
| | 271,200 (L) | 0.03 | Beneficial owner |
| Sub-total: | 272,829,600 (L) | 29.71 | |
| Michael Koh Tat Lee | 272,829,600 (L) | 29.71 | Interest of spouse (Note 1) |
| Liang Tong Wei | 100,000,000 (L) | 10.89 | Beneficial owner |
| Cheung Hung Man | 25,295,000 (L) | 2.75 | Beneficial owner (Note 2) |

(L) - Long position; (S) - Short position

### Long and short positions in the underlying Shares of the Company

| Name of shareholder | Number of underlying Shares in respect of equity derivatives of the Company | Approximate percentage of the issued share capital of the Company | Capacity |
|---|---|---|---|
| Kesterion Investments Limited | 68,955,682(L) | 7.51% | Beneficial owner *(Note 1)* |
| | 68,955,682(S) | 7.51% | Beneficial owner *(Note 3)* |
| Wong Eva | 68,955,682(L) | 7.51% | Interest of controlled corporation *(Note 1)* |
| Michael Koh Tat Lee | 68,955,682(L) | 7.51% | Interest of spouse *(Note 1)* |
| Brighton Asia Pacific Investment Limited | 91,000,000(L) | 9.91% | Beneficial owner *(Note 2)* |
| Cheung Hung Man | 91,000,000(L) | 9.91% | Interest of controlled corporation *(Note 2)* |
| China Shipbuilding Industrial Complete Equipment and Logistics Company Limited | 321,109,082(L) | 34.97% | Security Interest *(Note 3)* |

*Notes:*

1. This represents the principal amount of approximately US$201,474,359 of convertible bonds, which upon conversion in full will result in the allotment and issue of 68,955,682 Shares, which have been issued to Kesterion Investments Limited on 18 December 2008 as part of considerations for the acquisition of First Pine Enterprises Limited. The entire issued share capital of Kesterion Investments Limited is beneficially owned by Ms. Eva Wong ("Ms. Wong"). Ms. Wong, is the sister-in-law of a non-executive Director of the Company Mr. Yin Mark Teh-min. Mr. Michael Koh Tat Lee, being the husband of Ms. Wong, is deemed to be interested in such 68,955,682 shares.

2. Mr. Cheung Hung Man ("Mr Cheung") is interested in 25,295,000 Shares and a maximum of 91,000,000 shares shall be issued to Brighton Asia Pacific Investment Limited (or the nominee(s) as it may direct) according to the term of the sale and purchases agreement dated 27 March 2013. The entire issued share capital of Brighton Asia Pacific Investment Limited is beneficially owned by Mr. Cheung.

3. Pursuant to the security document dated 13 March 2013 entered into between Kesterion Investments Limited and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited, a security over the 252,153,400 Shares and the Convertible Bonds held by Kesterion Investments Limited (upon the full conversion at a conversation price of HK$22.79 per conversion share, a total of 68,955,682 Shares shall be issued to Kesterion Investments Limited) was created in favour of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited. None of the Directors is a director or an employee of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 31 to the financial statements, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SHARE OPTIONS SCHEME

A summary of the share option scheme and details of the movements in share options of the Company during the year ended 31 March 2013 are set out in note 31 to the financial statements.

## CONNECTED TRANSACTIONS

Details of the related party transaction disclosed in notes 34 and 37 to the financial statements for the year ended 31 March 2013 were constituted connected transactions as defined in Chapter 20 of the GEM Listing Rules. Saved as disclosed therein , there was no other transaction which would need to be disclosed as connected transactions in compliance with the disclosure requirements in Chapter 20 of the GEM Listing Rules.

The Directors consider that the above transaction of the Group was incurred under normal commercial terms and in the ordinary and usual course of business, and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in note 37 to the financial statements.

## MANAGEMENT CONTRACT

No contracts concerning the management or administration of the whole or any substantial part of the business were entered into or in existence during the year ended 31 March 2013.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, is or was interested in any business apart from the Group's business, that of the Company competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 March 2013 and up to and including the date of this report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

## CORPORATE GROVERNANCE

Information on the Company's Corporate Governance Practices are set out in the Corporate Governance Report on pages 7 to 15 of this annual report.

## AUDITOR

RSM Nelson Wheeler will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board

*Chairman*
**Michael Koh Tat Lee**

Hong Kong
21 June 2013

RSM

Audit • Tax • Advisory

**TO THE SHAREHOLDERS OF PAN ASIA MINING LIMITED**

**(Incorporated in the Cayman Islands with limited liability)**

We have audited the consolidated financial statements of Pan Asia Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 88, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditor's 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 auditor considers 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 Group as at 31 March 2013, and of the Group's results 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.

## MATERIAL UNCERTAINTY RELATING TO THE EXPLORATION AND EVALUATION ASSETS

Without qualifying our opinion, we draw attention to note 17 to the financial statements "Exploration and evaluation assets". On 15 June 2010, the Company's subsidiary, Mt. Mogan Resources and Development Corporation ("Mogan"), submitted an application to the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources of the Philippines for the conversion of the exploration rights into a mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the exploration area of 32,285 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines covered by two exploration permits issued by the MGB. A MPSA is an agreement between a contractor and MGB, acting on behalf of the Government of the Philippines, whereby the Government of the Philippines grants the contractor exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area within a specified time frame. As of the approval date of these financial statements, the MPSA was yet to be awarded to Mogan.

If the application of the MPSA is unsuccessful, the Group might incur a significant amount of impairment loss on the corresponding exploration and evaluation assets, which might have a significant effect on the consolidated financial statements of the Group. However, the directors are of the opinion that Mogan would be able to obtain the MPSA and they do not foresee any circumstances that would trigger their application for MPSA unsuccessful.

**RSM Nelson Wheeler**
Certified Public Accountants
Hong Kong
21 June 2013

## Consolidated Statement of Comprehensive Income

*For the year ended 31 March 2013*

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Turnover** | 7 | **274,489** | 331,296 |
| Cost of sales | | **(272,634)** | (328,918) |
| **Gross profit** | | **1,855** | 2,378 |
| Administrative expenses | | **(38,885)** | (29,306) |
| Other operating income/(loss) | 8 | **3,524** | (7,955) |
| **Loss from operations** | | **(33,506)** | (34,883) |
| Impairment of exploration and evaluation assets | 17 | **–** | (7,342,417) |
| Finance costs | 9 | **(94,465)** | (81,420) |
| Share of losses of associates | 19 | **–** | (172) |
| **Loss before tax** | | **(127,971)** | (7,458,892) |
| Income tax expense | 10 | **–** | (12) |
| **Loss for the year** | 11 | **(127,971)** | (7,458,904) |
| **Other comprehensive loss for the year, net of tax** | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | **(372)** | (1,897) |
| **Total comprehensive loss for the year** | | **(128,343)** | (7,460,801) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | 13 | **(127,691)** | (4,815,119) |
| Non-controlling interests | | **(280)** | (2,643,785) |
| | | **(127,971)** | (7,458,904) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(127,681)** | (4,816,359) |
| Non-controlling interests | | **(662)** | (2,644,442) |
| | | **(128,343)** | (7,460,801) |
| | | **HK$** | HK$ |
| **Loss per share** | 14 | | |
| Basic | | **0.14** | 5.28 |
| Diluted | | **N/A** | N/A |

# Consolidated Statement of Financial Position

*At 31 March 2013*

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **5,162** | 4,897 |
| Payments for mining claims | 16 | **109** | 109 |
| Exploration and evaluation assets | 17 | **1,103,323** | 1,100,000 |
| Goodwill | 18 | **6,234** | – |
| Interests in associates | 19 | **–** | – |
| Loan to a third party | 20 | **15,161** | 6,704 |
| | | **1,129,989** | 1,111,710 |
| **Current assets** | | | |
| Inventories | 21 | **–** | 2,818 |
| Trade and other receivables | 22 | **76,723** | 69,550 |
| Financial assets at fair value through profit or loss | 23 | **9,157** | 28,195 |
| Amount due from a director | 34(a) | **109** | – |
| Pledged bank deposits | 24 | **3,279** | 113 |
| Cash and bank balances | 24 | **175,877** | 47,226 |
| | | **265,145** | 147,902 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **205,626** | 19,195 |
| Amount due to a shareholder | 34(b) | **–** | 386 |
| Amounts due to associates | 19 | **59** | 59 |
| Amounts due to directors | 34(c) | **2,058** | 1,368 |
| Bank loan | 26 | **2,338** | – |
| Shareholder's loan | 34(d) | **–** | 30,000 |
| Finance lease payables | 27 | **186** | 95 |
| Current tax liabilities | | **109** | 85 |
| | | **210,376** | 51,188 |
| **Net current assets** | | **54,769** | 96,714 |
| **Total assets less current liabilities** | | **1,184,758** | 1,208,424 |
| **Non-current liabilities** | | | |
| Convertible bonds | 28 | **618,791** | 525,718 |
| Finance lease payables | 27 | **366** | 341 |
| | | **619,157** | 526,059 |
| **NET ASSETS** | | **565,601** | 682,365 |

# Consolidated Statement of Financial Position

*At 31 March 2013*

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 29 | **459,092** | 456,092 |
| Reserves | 30 | **(280,839)** | (161,640) |
| Equity attributable to owners of the Company | | **178,253** | 294,452 |
| Non-controlling interests | | **387,348** | 387,913 |
| **TOTAL EQUITY** | | **565,601** | 682,365 |

Approved by the Board of Directors on 21 June 2013

**Michael Koh Tat Lee**
*Director*

**Eng Wee Meng**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2013*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Foreign currency translation reserve | Share option reserve | Convertible bonds equity reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2011 | 456,092 | 3,780,032 | 8 | 320 | 1,263,605 | (389,246) | 5,110,811 | 3,032,355 | 8,143,166 |
| Total comprehensive loss and changes in equity for the year | – | – | (1,240) | – | – | (4,815,119) | (4,816,359) | (2,644,442) | (7,460,801) |
| At 31 March 2012 | 456,092 | 3,780,032 | (1,232) | 320 | 1,263,605 | (5,204,365) | 294,452 | 387,913 | 682,365 |
| At 1 April 2012 | 456,092 | 3,780,032 | (1,232) | 320 | 1,263,605 | (5,204,365) | 294,452 | 387,913 | 682,365 |
| Total comprehensive loss for the year | – | – | 10 | – | – | (127,691) | (127,681) | (662) | (128,343) |
| Share-based payments | – | – | – | 8,482 | – | – | 8,482 | – | 8,482 |
| Issue of share on exercise of share option (note 31) | 3,000 | – | – | (551) | – | 551 | 3,000 | – | 3,000 |
| Acquisition of a subsidiary (note 32) | – | – | – | – | – | – | – | 97 | 97 |
| Changes in equity for the year | 3,000 | – | 10 | 7,931 | – | (127,140) | (116,199) | (565) | (116,764) |
| At 31 March 2013 | 459,092 | 3,780,032 | (1,222) | 8,251 | 1,263,605 | (5,331,505) | 178,253 | 387,348 | 565,601 |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2013*

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | | **(127,971)** | (7,458,892) |
| Adjustments for: | | | |
| Finance costs | | **94,465** | 81,420 |
| Interest income from debt investments | | **(281)** | (599) |
| Interest income from loan and receivables | | **(708)** | (135) |
| Depreciation | | **1,529** | 1,232 |
| Gain on disposal of property, plant and equipment | | **–** | (305) |
| Impairment of exploration and evaluation assets | | **–** | 7,342,417 |
| Fair value (gain)/loss on trading of financial assets at fair value through profit or loss | | **(1,454)** | 9,962 |
| Dividend income from listed investments | | **(839)** | (681) |
| Share of losses of associates | | **–** | 172 |
| Equity-settled share-based payments | | **8,482** | – |
| Operating loss before working capital changes | | **(26,777)** | (25,409) |
| Decrease/(increase) in inventories | | **2,818** | (2,818) |
| Decrease/(increase) in trade and other receivables | | **2,239** | (49,135) |
| Increase in amount due from a director | | **(109)** | – |
| Increase in trade and other payables | | **177,124** | 11,376 |
| **Cash generated from/(used in) operations** | | **155,295** | (65,986) |
| Net proceeds from/(payment for) disposal/purchase of financial assets at fair value through profit or loss | | **20,492** | (17,352) |
| Income tax paid | | **–** | (2) |
| **Net cash generated from/(used in) operating activities** | | **175,787** | (83,340) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **989** | 734 |
| Dividend income from listed investments | | **839** | 681 |
| Loan from directors | | **690** | 1,368 |
| Additions to exploration and evaluation assets | | **(3,027)** | (4,057) |
| Purchases of property, plant and equipment | | **(961)** | (5,130) |
| Deposits paid for purchases of property, plant and equipment | | **–** | (19,330) |
| Proceeds from disposal of property, plant and equipment | | **–** | 400 |
| Loan to a third party | | **(8,457)** | (6,704) |
| Increase in pledged bank deposits | | **(3,166)** | (113) |
| Acquisition of a subsidiary | 32 | **(7,107)** | – |
| **Net cash used in investing activities** | | **(20,200)** | (32,151) |

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds from bank loan | **2,338** | – |
| Bank loan interest paid | **(140)** | – |
| Repayment of shareholder's loan | **(30,000)** | (40,000) |
| Shareholder's loan interest paid | **(1,603)** | (2,144) |
| Proceeds from issue of shares on exercise of share options | **3,000** | – |
| Repayment of finance lease payables | **(140)** | (63) |
| Finance lease charges paid | **(35)** | (10) |
| **Net cash used in financing activities** | **(26,580)** | (42,217) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **129,007** | (157,708) |
| Effect of foreign exchange rate changes | **(356)** | (1,897) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **47,226** | 206,831 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **175,877** | 47,226 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **175,877** | 47,226 |

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Suite 3008, Tower One, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (y) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation currency. The functional currency of the Company is United States dollars ("USD"). The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors, who are mostly located in Hong Kong.

*(ii) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*(iii) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Foreign currency translation *(continued)*

*(iii) Translation on consolidation (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Furniture and fixtures | 25% - 50% |
| Office equipment | 25% - 50% |
| Motor vehicles | 12.5% - 30% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Leases

*(i) Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

*(ii) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

### (g) Payments for mining claims

Mining claims represent all the rights of the Group to explore, develop and ultilise in and to magnetite other minerals located in the specified mining area pursuant to the issuance of an exploration permit and mineral production sharing agreement by the relevant authorities of the Philippines. Payments for mining claims, pending the issuance of the exploration permit, are stated at cost and are reclassified as exploration and evaluation assets when the exploration permit is issued.

### (h) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mining rights and mineral properties under intangible assets and property, plant and equipment respectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Exploration and evaluation assets *(continued)*

*Impairment of exploration and evaluation assets*

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (j) Recognition and derecognition of financial instruments *(continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### (k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

### (l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in the profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### (o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (p) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

### (q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

*(i) Sales of goods*

Revenues from the sales of metals, coals, and bunker fuels are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

*(ii) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

*(iii) Dividend income*

Dividend income is recognised when the shareholders' rights to receive payment are established.

### (t) Employee benefits

*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

*(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### (v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (x) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### (y) Impairment of assets (excluding exploration and evaluation assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, except exploration and evaluation assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (y) Impairment of assets (excluding exploration and evaluation assets) *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4. KEY SOURCES OF 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.

### (a) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of assets or cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise.

### (b) Impairment of exploration and evaluation assets

As set out in the accounting policies in note 3(h) to the financial statements, impairment of exploration and evaluation assets arises where facts and circumstances indicate that the balances may not be fully recoverable. The impairment assessment requires the use of judgement and estimates. During the year, the directors determined to test the exploration and evaluation assets for impairment based on the recoverable amount of the exploration and evaluation assets with reference to the fair value prepared by an independent professional valuer. In determining the fair value, the valuer has utilised a method of valuation which involves the inputs of subjective assumptions and estimates, including whether the Group is able to obtain the exploitation right in the specific mining area, estimation of mineral resources and prices. Any changes in these assumptions and estimates can significantly affect the estimate of the fair value of the exploration and evaluation assets and the impairment loss thereon. Details of the impairment assessment are set out in note 17 to the financial statements.

### (c) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures to be incurred to undertake rehabilitation and restoration work to magnetite mine which are discounted at a rate reflecting the term and nature of the obligation. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. As at 31 March 2013, the directors considered that no provision for rehabilitation is required as the mining operations have not reached a stage for reliable estimation of the rehabilitation costs.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### (d) Environmental contingencies

The Government of the Philippines has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination of various sites including, but not limited to mines, contractors, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

Up to the approval date of the financial statements, the Group has not incurred any significant expenditure for and is not involved in any environmental remediation. Under existing legislation, the directors believe that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group.

### (e) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables including the current credit worthiness and the past collection history for each debtor. The identification of impairment requires management's judgements and estimates. When the actual outcome is different from the original estimates, such differences will impact the carrying amounts of the receivables and impairment loss in the period in which such estimate has been changed.

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group mainly operates in Hong Kong, Singapore and Philippines. As most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities, the directors are therefore of the opinion that the Group's exposure to foreign currency risk is not significant. Accordingly no sensitivity analysis on foreign currency risk is presented. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Price risk

The Group's debt and equity investments classified as financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to debt and equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

The Group's equity investments are listed on The Stock Exchange of Hong Kong Limited. The Group's debt investments are listed on The Singapore Exchange Securities Trading Limited or traded over-the-counter.

At 31 March 2013, if the prices of the investments increase/decrease by 10%, consolidated loss after tax for the year would have been HK$765,000 lower/higher (2012: HK$2,354,000), arising as a result of the fair value gain/loss of these investments.

### (c) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and financial assets at fair value through profit or loss included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group has no significant concentrations of credit risks on other receivables. The credit quality of the counterparties in respect of other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Credit risk *(continued)*

The credit risk on cash and bank balances is limited because the counterparties are banks with sound credit-ratings.

The credit risk on financial assets at fair value through profit or loss is limited because the counterparty is a well-established investment bank.

### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on the undiscounted cash flows, of the Group's financial liabilities is as follows:

| | Less than 1 years HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|
| **At 31 March 2013** | | | | |
| Trade and other payables | **205,626** | **–** | **–** | **–** |
| Amounts due to associates | **59** | **–** | **–** | **–** |
| Amounts due to directors | **2,058** | **–** | **–** | **–** |
| Bank loans | **2,344** | **–** | **–** | **–** |
| Finance lease payables | **242** | **214** | **173** | **–** |
| Convertible bonds | **–** | **–** | **–** | **1,571,500** |
| | **210,329** | **214** | **173** | **1,571,500** |
| At 31 March 2012 | | | | |
| Trade and other payables | 19,195 | – | – | – |
| Amount due to a shareholder | 386 | – | – | – |
| Amounts due to associates | 59 | – | – | – |
| Amounts due to directors | 1,368 | – | – | – |
| Shareholder's loan | 31,800 | – | – | – |
| Finance lease payables | 109 | 109 | 255 | – |
| Convertible bonds | – | – | – | 1,571,500 |
| | 52,917 | 109 | 255 | 1,571,500 |

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### (e) Interest rate risk

The Group's loan to a third party, debt investments, shareholders' loan and fixed bank deposit bear interest at fixed interest rates and therefore subject to fair value interest rate risks.

The Group's bank deposits and bank borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2013, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$394,000 higher/lower (2012: HK$461,000), arising as a result of the decrease/increase in the interest income arising from bank deposits.

### (f) Categories of financial instruments at 31 March

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets:** | | |
| Financial assets at fair value through profit or loss | | |
| – held for trading | **9,157** | 19,626 |
| – designated as such upon initial recognition | **–** | 8,569 |
| Loans and receivables (including cash and cash equivalents) | **243,555** | 123,161 |
| | **252,712** | 151,356 |
| **Financial liabilities:** | | |
| Financial liabilities at amortised costs | **828,872** | 576,726 |

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the financial assets at fair value through profit or loss as at 31 March 2012 and 2013 are measured based on level 1.

## 6. SEGMENT INFORMATION

The Group has four reportable segments as follows:

| | | |
|---|---|---|
| Mining | — | Mining operations including exploration and exploitation of magnetic sand (The commercial operations have not yet been commenced during the year) |
| Metals | — | Trading of scrap metals including aluminum, copper, stainless steel and other ferrous/non-ferrous metals |
| Coals | — | Trading of coals |
| Bunker Fuels | — | Trading of vessel fuels |

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include corporate administration costs, other operating loss and income tax expense. Segment assets do not include financial assets at fair value through profit or loss and unallocated corporate assets which are jointly used by reportable segments. Segment liabilities do not include current tax liabilities, shareholder's loan and unallocated corporate liabilities which are jointly liable by reportable segments.

**Information about reportable segment profit or loss, assets and liabilities:**

| | Mining HK$'000 | Metals HK$'000 | Coals HK$'000 | Bunker Fuels HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2013** | | | | | |
| Revenue from external customers | – | 13,796 | 167,165 | 93,528 | 274,489 |
| Segment profit/(loss) | (95,035) | 334 | (17,290) | 273 | (111,718) |
| Interest expense | 94,290 | – | – | – | 94,290 |
| Depreciation | 2 | – | 121 | – | 123 |
| Impairment of exploration and evaluation assets | – | – | – | – | – |
| Share of losses of associates | – | – | – | – | – |
| Additions to segment non-current assets | 3,323 | – | – | – | 3,323 |
| **As at 31 March 2013** | | | | | |
| Segment assets | 1,104,652 | 6,465 | 39,892 | 853 | 1,151,862 |
| Segment liabilities | 620,763 | 131 | 363 | 12 | 621,269 |

## 6. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities: (continued)

| | Mining | Metals | Coals | Bunker Fuels | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2012** | | | | | |
| Revenue from external customers | — | 14,193 | 17,447 | 299,656 | 331,296 |
| Segment profit/(loss) | (7,444,228) | 443 | 509 | 1,082 | (7,442,194) |
| Interest expense | 81,408 | — | — | — | 81,408 |
| Depreciation | 8 | — | — | — | 8 |
| Impairment of exploration and evaluation assets | 7,342,417 | — | — | — | 7,342,417 |
| Share of losses of associates | 172 | — | — | — | 172 |
| Additions to segment non-current assets | 4,057 | — | — | — | 4,057 |
| **As at 31 March 2012** | | | | | |
| Segment assets | 1,101,258 | 26,066 | — | 49,141 | 1,176,465 |
| Segment liabilities | 527,374 | 160 | — | 12,975 | 540,509 |

## 6. SEGMENT INFORMATION *(continued)*

**Reconciliations of reportable segment profit or loss, assets and liabilities:**

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Profit or loss** | | |
| Total loss of reportable segments | **(111,718)** | (7,442,194) |
| Unallocated amounts: | | |
| Other operating income/(loss) | **3,524** | (7,955) |
| Depreciation | **(1,406)** | (1,224) |
| Corporate administrative expenses | **(18,371)** | (7,531) |
| Consolidated loss for the year | **(127,971)** | (7,458,904) |
| **Assets** | | |
| Total assets of reportable segments | **1,151,862** | 1,176,465 |
| Unallocated amounts: | | |
| Financial assets at fair value through profit or loss | **9,157** | 28,195 |
| Corporate assets | **234,115** | 54,952 |
| Consolidated total assets | **1,395,134** | 1,259,612 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **621,269** | 540,509 |
| Unallocated amounts: | | |
| Current tax liabilities | **109** | 85 |
| Shareholder's loan | **—** | 30,000 |
| Bank loan | **2,338** | — |
| Corporate liabilities | **205,817** | 6,653 |
| Consolidated total liabilities | **829,533** | 577,247 |

## 6. SEGMENT INFORMATION *(continued)*

**Geographical information:**

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **–** | 3,563 | **3,811** | 4,091 |
| People's Republic of China ("PRC") | | | | |
| except Hong Kong | **–** | – | **12** | 14 |
| The Philippines | **–** | – | **1,103,432** | 1,100,109 |
| Indonesia | **–** | – | **6,947** | – |
| Singapore | **274,489** | 327,733 | **626** | 792 |
| Consolidated total | **274,489** | 331,296 | **1,114,828** | 1,105,006 |

In presenting the geographical information, revenue is based on the locations of the customers.

**Revenue from major customers:**

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Coals segment | | |
| Customer a | **148,260** | – |
| Bunker fuels segment | | |
| Customer b | **31,647** | 173,646 |
| Customer c | **42,619** | 99,124 |
| | **222,526** | 272,770 |

## 7. TURNOVER

The Group's turnover which represents sales of goods to customers, net of trade discounts, are as follows:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Sales of metals | 13,796 | 14,193 |
| Sales of coals | 167,165 | 17,447 |
| Sales of bunker fuels | 93,528 | 299,656 |
| | 274,489 | 331,296 |

## 8. OTHER OPERATING INCOME/(LOSS)

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | 1,454 | (9,962) |
| Dividend income from listed investments | 839 | 681 |
| Gain on disposal of property, plant and equipment | – | 305 |
| Interest income from debt investments | 281 | 599 |
| Interest income from loan and receivables | 708 | 135 |
| Sundry income | 242 | 287 |
| | 3,524 | (7,955) |

## 9. FINANCE COSTS

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Finance lease charges | 35 | 10 |
| Interest on bank loans and overdrafts | 140 | 2 |
| Interest on shareholder's loan wholly repayable within five years (note 34(b)) | 1,217 | 2,334 |
| Interest on convertible bonds not wholly repayable within five years (note 28) | 93,073 | 79,074 |
| | 94,465 | 81,420 |

## 10. INCOME TAX EXPENSE

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Current tax – Singapore Income Tax | – | 12 |

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits for the years ended 31 March 2012 and 2013.

Entities incorporated in other countries are subject to income tax rates of 17% to 30% prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the weighted average tax rate of the consolidated companies and a reconciliation of the weighted average rate to the effective tax rate, are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % |
| Loss before income tax | (127,971) | | (7,458,892) | |
| Tax at the weighted average tax rate | (21,555) | 16.8 | (19,658) | 0.3 |
| Tax effect of income that is not taxable | (46) | 0.1 | (263) | 0.1 |
| Tax effect of expenses that are not deductible | 18,271 | (14.3) | 14,916 | (0.3) |
| Tax effect of temporary differences not recognised | 7 | (0.1) | (398) | 0.1 |
| Tax effect of tax concession granted to a Singapore subsidiary | (24) | 0.1 | (145) | 0.1 |
| Tax effect of tax losses not recognised | 3,347 | (2.6) | 5,560 | (0.2) |
| Income tax expense at effective tax rate | – | – | 12 | 0.1 |

At the end of the reporting period the Group has unused tax losses of approximately HK$78,869,000 (2012: HK$75,043,000) available for offset against future profits. No deferred tax assets has been recognised in respect of these tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$8,866,000 (2012: HK$3,661,000) that will expire in three to five years from the year such losses were incurred. Other tax losses may be carried forward indefinitely.

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is immaterial to the Group.

## 11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Depreciation | 1,529 | 1,232 |
| Operating lease charges in respect of land and buildings | 4,095 | 1,906 |
| Auditor's remuneration | | |
| Audit services | 550 | 500 |
| Non-audit services | 50 | 50 |
| | 600 | 550 |
| Cost of inventories sold | 272,634 | 328,918 |
| Staff costs (including directors' emoluments (note 12)) | | |
| Salaries, bonus and allowances | 11,390 | 10,016 |
| Retirement benefits scheme contributions | 488 | 242 |
| Equity-settled share-based payments | 576 | – |
| | 12,454 | 10,258 |
| Equity-settled consultancy fees | 7,906 | – |

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 March 2013 were as follows:

| | Fees HK$'000 | Salaries, bonus and allowances HK$'000 | Accommodation benefit HK$'000 | Share-based payments HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Mr. Michael Koh Tat Lee | – | 858 | 1,020 | – | 15 | 1,893 |
| Mr. Eng Wee Meng | – | 1,113 | – | 246 | 15 | 1,374 |
| Mr. Cheung Hung Man (note (a)) | – | 695 | – | – | 11 | 706 |
| **Non-executive directors** | | | | | | |
| Mr. Yin Mark Teh-min | 120 | – | – | – | – | 120 |
| Mr. Liang Tong Wei | 120 | – | – | – | – | 120 |
| **Independent non-executive directors** | | | | | | |
| Mr. Lai Kai Jin, Michael | 120 | – | – | – | – | 120 |
| Mr. Chu Hung Lin, Victor | 120 | – | – | – | – | 120 |
| Mr. Tong Wan Sze | 120 | – | – | – | – | 120 |
| | 600 | 2,666 | 1,020 | 246 | 41 | 4,573 |

The emoluments of each director for the year ended 31 March 2012 were as follows:

| | Fees HK$'000 | Salaries, bonus and allowances HK$'000 | Accommodation benefit HK$'000 | Share-based payments HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Mr. Michael Koh Tat Lee (note (b)) | – | 1,883 | – | – | 12 | 1,895 |
| Mr. Eng Wee Meng (note (c)) | – | 1,005 | – | – | 12 | 1,017 |
| Mr. Wong Chung Yu, Denny (note (d)) | – | 776 | – | – | 8 | 784 |
| Mr. Liu Junqing (note (e)) | – | 199 | – | – | – | 199 |
| **Non-executive directors** | | | | | | |
| Mr. Yin Mark Teh-min | 120 | – | – | – | – | 120 |
| Mr. Liang Tong Wei (note (b)) | 40 | – | – | – | – | 40 |
| **Independent non-executive directors** | | | | | | |
| Mr. Lai Kai Jin, Michael | 120 | – | – | – | – | 120 |
| Mr. Chu Hung Lin, Victor | 120 | – | – | – | – | 120 |
| Mr. Tong Wan Sze | 120 | – | – | – | – | 120 |
| | 520 | 3,863 | – | – | 32 | 4,415 |

*Notes:*

(a) Appointed on 27 July 2012

(b) Appointed on 30 November 2011

(c) Appointed on 11 April 2011

(d) Resigned on 30 November 2011

(e) Resigned on 15 July 2011

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

There was no arrangement under which a director of the Company waived or agreed to waive any emoluments during the year (2012: Nil).

The five highest paid individuals in the Group during the year included three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2012: two) individuals are set out below:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, bonus and allowances | **2,654** | 2,153 |
| Retirement benefits scheme contributions | **112** | 24 |
| Equity-settled share-based payments | **147** | — |
| | **2,913** | 2,177 |

The emoluments fell within the following bands:

| | **2013** | 2012 |
|---|---|---|
| | **Number of individuals** | Number of individuals |
| Nil - HK$1,000,000 | **—** | 1 |
| HK$1,000,001 - HK$1,500,000 | **1** | — |
| HK$1,500,001 - HK$2,000,000 | **1** | 1 |

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

## 13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK$104,618,000 (2012: HK$5,179,555,000) which has been dealt with in the financial statements of the Company.

## 14. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$127,691,000 (2012: loss attributable to owners of the Company of approximately HK$4,815,119,000) and the weighted average number of ordinary shares of 913,088,190 (2012: 912,184,080) in issue during the year.

### Diluted loss per share

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's outstanding share options for both years, no diluted loss per share was presented in both years.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2011 | 1,125 | 523 | 1,750 | 3,398 |
| Additions | 8 | 44 | 5,582 | 5,634 |
| Disposal | — | — | (980) | (980) |
| Exchange differences | 67 | 6 | (4) | 69 |
| At 31 March 2012 and 1 April 2012 | 1,200 | 573 | 6,348 | 8,121 |
| Additions | — | 127 | 834 | 961 |
| Acquisition of a subsidiary (note 32) | 169 | 260 | 404 | 833 |
| Exchange differences | 15 | 3 | (3) | 15 |
| At 31 March 2013 | 1,384 | 963 | 7,583 | 9,930 |
| **Accumulated depreciation** | | | | |
| At 1 April 2011 | 896 | 388 | 1,521 | 2,805 |
| Charge for the year | 184 | 134 | 914 | 1,232 |
| Disposal | — | — | (885) | (885) |
| Exchange differences | 60 | 12 | — | 72 |
| At 31 March 2012 and 1 April 2012 | 1,140 | 534 | 1,550 | 3,224 |
| Charge for the year | 44 | 141 | 1,344 | 1,529 |
| Exchange differences | 14 | 1 | — | 15 |
| At 31 March 2013 | 1,198 | 676 | 2,894 | 4,768 |
| **Carrying amount** | | | | |
| At 31 March 2013 | 186 | 287 | 4,689 | 5,162 |
| At 31 March 2012 | 60 | 39 | 4,798 | 4,897 |

At 31 March 2013, the carrying amount of motor vehicles held by the Group under finance lease amounted to HK$949,316 (2012: HK$778,000).

## 16. PAYMENTS FOR MINING CLAIMS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| At beginning of year | **109** | 109 |
| Additions | **—** | — |
| At end of year | **109** | 109 |

In April 2010, Mt. Mogan Resources and Development Corporation ("Mogan"), a subsidiary of the Company, submitted a new exploration permit application to the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources of the Philippines (the "DENR") for the exploration of iron ore and other associated mineral in an area covering with 3,022 hectares in the offshore Leyte of the Philippines (the "Pre-exploration Area").

Pursuant to the Philippine Mining Act 1995 (Republic Act No. 7942) (the "Philippine Mining Act"), the exploration permits grants the holder the right to conduct exploration activities for the specified mineral deposits in the specified area for an initial period of 2 years and is renewable for two successive periods of 2 years each.

As of the approval of these financial statements, the exploration permit in respect of the Pre-exploration Area was yet been awarded to Mogan. To the best knowledge of the directors, the evaluation and approval process of the application by MGB has reached its final stage. The directors believe that Mogan will be able to obtain the exploration permit.

## 17. EXPLORATION AND EVALUATION ASSETS

| | Exploration rights HK$'000 | Evaluation expenditure HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2011 | 8,429,879 | 8,481 | 8,438,360 |
| Additions | — | 4,057 | 4,057 |
| At 31 March 2012 and 1 April 2012 | 8,429,879 | 12,538 | 8,442,417 |
| Additions | — | 3,323 | 3,323 |
| At 31 March 2013 | 8,429,879 | 15,861 | 8,445,740 |
| **Accumulated impairment** | | | |
| 1 April 2011 | — | — | — |
| Impairment losses recognised for the year | 7,342,417 | — | 7,342,417 |
| At 31 March 2012, 1 April 2012 and 31 March 2013 | 7,342,417 | — | 7,342,417 |
| **Carrying amount** | | | |
| At 31 March 2013 | 1,087,462 | 15,861 | 1,103,323 |
| At 31 March 2012 | 1,087,462 | 12,538 | 1,100,000 |

## 17. EXPLORATION AND EVALUATION ASSETS *(continued)*

As at 31 March 2013, Mogan owned two exploration permits to explore iron ore and other associated mineral in specified offshore area with 32,285 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines (the "Exploration Area"). The exploration permits issued by the Mines and Geosciences Bureau of Philippines (the "MGB") is valid for two years from its first renewal date on 22 June 2012 and is renewable for a further term of 2 years.

On the other hand, Mogan submitted an application to MGB for the mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the Exploration Area (the "Mining Area") on 15 June 2010. A MPSA is an agreement between a contractor and MGB, acting on behalf of the Government of the Philippines, whereby the Government of the Philippines grants the contractor exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area for a term of 25 years starting from the execution date and is renewable for another term not exceeding 25 years.

The acceptance of the application of the MPSA involve various phases, including but not limited to, the evaluation of feasibility studies, environmental work plan and financial capability of Mogan; the obtaining of area status and clearance; and public consultation by regional and central offices of the MGB and the DENR. As of the approval date of these financial statements, the MPSA was yet to be awarded to Mogan. To the best knowledge of the directors, the Group should have no major difficulties in fulfilling the technical and other requirements for the acceptance of the MPSA application by the MGB.

### Impairment test

As set out in the accounting policy in note 3(h) to the financial statements, the Group reviews the facts and circumstances relating to the exploration and evaluation assets to determine whether there is any indication that the exploration and evaluation assets have suffered impairment losses.

The directors considered that the mining operations have not reached a stage for reliable estimation of the future production volume and operation costs. Accordingly, in assessing whether there is indication of impairment, the Group, amongst other things, engaged an independent valuer, Roma Appraisals Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach on the basis that the MPSA would be accepted by the MGB.

Other key assumptions adopted for the fair value estimation includes the iron ore prices and the estimated mineral resources based on a technical report prepared by an independent specialist Roma Oil and Mining Associates Limited.

Based on these evaluations, the directors estimated that recoverable amount of the exploration and evaluation assets approximates its carrying value at 31 March 2013. Accordingly no impairment losses were recognised for the year ended 31 March 2013.

## 17. EXPLORATION AND EVALUATION ASSETS *(continued)*

As set out in the above paragraphs, the recoverable amount of the exploration and evaluation assets as at 31 March 2013 is determined on the basis that the MPSA would be awarded to Mogan. If the application of the MPSA is unsuccessful, the Group might incur a significant amount of impairment loss on the corresponding exploration and evaluation assets, which might have a significant effect on the consolidated financial statements of the Group. However, the directors are of the opinion that Mogan would be able to obtain the MPSA and they do not foresee any circumstances that would trigger their application for MPSA unsuccessful.

## 18. GOODWILL

| | HK$'000 |
|---|---|
| **Cost and carrying amount** | |
| At 1 April 2011, 31 March 2012 and 1 April 2012 | — |
| Arising on acquisition of a subsidiary (note 32) | 6,234 |
| At 31 March 2013 | 6,234 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the trading of coal operations of a subsidiary, PT Yaozhong Resources ("PTYZR").

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business of the CGUs. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using a nil growth rate. The pre-tax rate used to discount the forecast cash flows from the Group's trading of coal activities is 15%.

## 19. INTERESTS IN ASSOCIATES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Unlisted investments outside Hong Kong | | |
| Share of net assets | **–** | – |

The amounts due to associates are unsecured, interest-free and repayable on demand. Particulars of the Group's associates as at 31 March 2013 are as follows:

| Name | Place of incorporation/ operation | Issued and paid up capital | Group's effective holding | Direct/ Indirect | Principal activity |
|---|---|---|---|---|---|
| Belgravia Holdings & Investments, Inc | The Philippines | 25,000 ordinary shares of Philippines Peso ("PHP") 100 each | 40% | Indirect | Investment holding |
| Triple Edge Resources Holdings, Inc | The Philippines | 25,000 ordinary shares of PHP 100 each | 40% | Indirect | Investment holding |

Summarised financial information in respect of the Group's associates is set out below:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| At 31 March | | |
| Total assets | **432** | 498 |
| Total liabilities | **(667)** | (602) |
| Net liabilities | **(235)** | (104) |
| Group's share of associate's net assets | **–** | – |
| Year ended 31 March | | |
| Total revenue | **8** | 11 |
| Total loss for the year | **(105)** | (621) |
| Group's share of associates' loss for the year | **–** | (172) |

The Group has not recognised loss for the year amounting to HK$42,000 (2012: HK$76,000) for Belgravia Holdings & Investments Inc. and Triple Edge Resources Holdings, Inc. The accumulated losses not recognised were HK$118,000 (2012: HK$76,000).

## 20. LOAN TO A THIRD PARTY

The loan to a third party is unsecured, bears interest at 6% per annum and repayable on 8 January 2015. The carrying amount of the loan to a third party is denominated in Singapore dollars ("SGD").

## 21. INVENTORIES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Finished goods | – | 2,818 |

## 22. TRADE AND OTHER RECEIVABLES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Trade receivables | 4,421 | 42,771 |
| Rental and other deposits | 20,256 | 23,665 |
| Prepayments and other receivables | 52,046 | 3,114 |
| | 76,723 | 69,550 |

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. The credit terms generally range from 1 to 120 days (2012: 1 to 30 days). Overdue balances are reviewed regularly by management.

## 22. TRADE AND OTHER RECEIVABLES *(continued)*

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 90 days | **3,521** | 42,771 |
| 91 to 180 days | **900** | – |
| | **4,421** | 42,771 |

As at 31 March 2013, trade receivables of HK$2,506,000 (2012: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

An ageing analysis of these trade receivables is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Up to 3 months | **2,506** | – |

The carrying amounts of the trade receivables are denominated in the following currencies:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| USD | **2,897** | 42,771 |
| SGD | **1,524** | – |
| Total | **4,421** | 42,771 |

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Equity securities listed in Hong Kong, at fair value (note (a)) | 9,157 | 19,626 |
| Debt securities listed outside Hong Kong, at fair value (note (b)) | – | 6,986 |
| Market value of listed securities | 9,157 | 26,612 |
| Unlisted debt securities, at fair value (note (b)) | – | 1,583 |
| | 9,157 | 28,195 |

The carrying amounts of the above financial assets are classified as follows:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Held for trading | 9,157 | 19,626 |
| Designated as fair value through profit or loss on initial recognition | – | 8,569 |
| | 9,157 | 28,195 |

The carrying amounts of listed and unlisted debt and equity investments pledged as security for banking facilities granted to the Group amounted to approximately HK$9,157,000 (2012: HK$28,195,000).

Notes:

(a) The equity investments listed on the Stock Exchange of Hong Kong Limited are held-for-trading that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of listed equity investments are based on current bid prices.

(b) The listed and unlisted debt investments are designated as financial assets at fair value through profit or loss on initial recognition. Debt investments represent senior notes listed on The Singapore Exchange Securities Trading Limited or traded over-the-counter. The fair value of the listed senior notes is based on quoted market prices, whilst the fair value of the unlisted senior notes is based on the price quoted by the bank. The senior notes are unsecured, bear interests ranging from 3.8% to 7.5% and are repayable three to five years from the issue date.

## 24. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

The Group's pledged deposits represented deposits pledged to banks to secure banking facilities granted to the Group.

Pledged deposits and cash and bank balances are denominated in the following currencies:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| HK$ | **4,605** | 2,029 |
| RMB (note) | **1,318** | 1,493 |
| USD | **171,372** | 42,654 |
| SGD | **1,661** | 1,100 |
| Others | **200** | 63 |
| | **179,156** | 47,339 |

Note:

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 25. TRADE AND OTHER PAYABLES

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Trade payables | **13** | 12,960 |
| Accruals | **4,986** | 4,703 |
| Trade deposit received | **198,402** | — |
| Other payables | **2,225** | 1,532 |
| | **205,626** | 19,195 |

As at 31 March 2013, the age of the trade payables, based on the date of receipt of goods, is less than 90 days (2012: less than 90 days).

## 25. TRADE AND OTHER PAYABLES *(continued)*

The carrying amounts of the trade payables are denominated in the following currencies:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| USD | **5** | 12,960 |
| SGD | **8** | – |
| Total | **13** | 12,960 |

## 26. BANK LOAN

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank loan | **2,338** | – |

The bank loan is repayable within one year and denominated in the USD.

The bank loan is secured by a charge over the Group's pledged bank deposits and financial assets at fair value through profit or loss.

The average interest rate at 31 March 2013 was 3.3% (2012: N/A).

## 27. FINANCE LEASE PAYABLES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **242** | 109 | **186** | 95 |
| In the second to fifth years, inclusive | **387** | 364 | **366** | 341 |
| | **629** | 473 | **552** | 436 |
| Less: Future finance charges | **(77)** | (37) | **–** | – |
| Present value of lease obligations | **552** | 436 | **552** | 436 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(186)** | (95) |
| Amount due for settlement after 12 months | | | **366** | 341 |

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease terms are 3 years (2012: 5 years). At 31 March 2013, the average effective borrowing rate was 7.1% per annum (2012: 3.7%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis.

The finance lease payables are denominated in the following currencies:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| SGD | **340** | 436 |
| Indonesia Rupiah | **212** | – |
| Total | **552** | 436 |

The Group's finance lease payables are secured by the lessor's title to the leased assets.

## 28. CONVERTIBLE BONDS

On 18 December 2008, the Company entered into a subscription agreement with Kesterion Investments Limited ("Kesterion") for the issue of convertible bonds with an aggregate principal amount of USD655,128,205 (equivalent to approximately HK$5,110,000,000) (the "Convertible Bonds") in connection with the acquisition of 64% equity interest in Mogan. The Convertible Bonds are convertible, at any time between the issue date and maturity date, and at the option of the holders, into ordinary shares of the Company at a fixed conversion price of HK$0.70 per conversion share, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued.

The Convertible Bonds are unsecured, non-interest bearing and redeemable in part(s) or in full by the Company, using an agreed fixed exchange rate of USD1 = HK$7.8, at any time before the maturity date on 18 December 2018. On the maturity date, the Convertible Bonds will be redeemed at par, using an agreed fixed exchange rate of USD1 = HK$7.8.

The net proceeds received from the issue of the Convertible Bonds were split between the liability component and equity component in accordance with the accounting policy as set out in note 3(p) to the financial statements. The liability component is treated as a liability at amortised cost using the effective interest rate method until extinguished on conversion or redemption.

The movements of the liability and equity components and principal amount of the Convertible Bonds for the both years are as follows:

| | Liability component | Equity conversion component | Principal amount |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2011 | 446,644 | 1,263,605 | 1,571,500 |
| Imputed interest charged for the year (note 9) | 79,074 | — | — |
| At 31 March 2012 and 1 April 2012 | 525,718 | 1,263,605 | 1,571,500 |
| Imputed interest charged for the year (note 9) | 93,073 | — | — |
| At 31 March 2013 | 618,791 | 1,263,605 | 1,571,500 |

The imputed interest charged for the year is calculated by applying an effective interest rate of 17.7% (2012: 17.7%) per annum to the liability component.

## 29. SHARE CAPITAL

| | No. of ordinary shares | Nominal value of ordinary shares |
|---|---|---|
| | | HK$'000 |
| Authorised: | | |
| Ordinary shares of HK$0.5 (2012: HK$0.5) each | | |
| At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013 | 2,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.5 (2012: HK$0.5) each | | |
| At 1 April 2011, 31 March 2012 and 1 April 2012 | 912,184,080 | 456,092 |
| Issue of share on exercise of share options (note) | 6,000,000 | 3,000 |
| At 31 March 2013 | 918,184,080 | 459,092 |

Note:

During the year ended 31 March 2013, an option holder exercises 6,000,000 share options to subscribe for 6,000,000 ordinary shares of HK$0.5 each at a consideration of HK$3,000,000.

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debts (including borrowings and trade and other payables) less cash and cash equivalents. Total equity comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

## 29. SHARE CAPITAL *(continued)*

The debt-to-equity ratios at 31 March 2012 and 2013 were as follows:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Total debt | 829,424 | 577,162 |
| Less: cash and cash equivalents | (175,877) | (47,226) |
| Net debt | 653,547 | 529,936 |
| Total equity | 565,601 | 682,365 |
| Debt-to-equity ratio | 115.5% | 77.7% |

No changes were made in the Group's objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2013.

The only externally imposed capital requirement is that for the Group to maintain its listing on The Stock Exchange of Hong Kong Limited, it has to have a public float of at least 25% of the shares.

## 30. RESERVES

### (a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity on pages 30 and 33 of the financial statements respectively.

### (b) Nature and purpose of reserves

*(i) Share premium*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

*(ii) Foreign currency translation reserve*

The foreign currency translation comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries into the presentation currency. The reserve is dealt with in accordance with the accounting policies in note 3(d) to the financial statements.

## 30. RESERVES *(continued)*

### (b) Nature and purpose of reserves *(continued)*

*(iii) Share option reserve*

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3(u) to the financial statements.

*(iv) Convertible bonds equity reserve*

The value of unexercised equity component of convertible bonds issued by the Company is recognised in accordance with the accounting policy adopted for convertible bonds in note 3(p) to the financial statements.

## 31. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 25 April 2001 (the “Old Share Option Scheme”) for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group. Under the Old Share Option Scheme, the directors may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries. The Old Share Option Scheme was valid and effective for a period of ten years from the adoption date. On 24 April 2012, the Old Share Option Scheme was expired, after which no further share options shall be granted, but the Share Option previously granted under the Share Option Scheme shall remain in full force and effect in all other respects.

The Company adopted a share option scheme on 30 July 2012 (the “New Share Option Scheme”) for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group. Under the New Share Option Scheme, the directors may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries. The New Share Option Scheme as valid and effective for a period of ten years from the adoption date.

The total number of shares in respect of which options may be granted under the New Share Option Scheme, and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company without prior approval from the Company’s shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

## 31. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

Options granted must be taken up within thirty days of the date of grant, upon payment of HK$1 per grant.

Options may be exercised at any time during a period to be notified by the board of Directors (the "Board") upon the grant of options provided that the option period shall not exceed 10 years from the date of grant of the options. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Under the New Share Option Scheme, if the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Movement of the outstanding share options and their weighted average exercise prices for the year ended 31 March 2013 were as follows:

| | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Category of grantee** | **Date of grant of the options** | **Exercise period** | **Exercise price of the options (HK$)** | **Outstanding as at 1 April 2012** | **Granted during the year** | **Exercised during the year** | **Lapsed during the year** | **Outstanding as at 31 March 2013** | **Exercisable as at 31 March 2013** |
| *Old Share Option Scheme:* | | | | | | | | | |
| Consultants | 6 Mar 2007 | 6 Mar 2007 to 5 Mar 2017 | 3.58 | 262,800 | – | – | – | 262,800 | 262,800 |
| *New Share Option Scheme:* | | | | | | | | | |
| Consultants | 21 Aug 2012 | 21 Aug 2012 to 20 Aug 2015 | 0.50 | – | 86,200,000 | (6,000,000) | (50,000) | 80,150,000 | 80,150,000 |
| Staff | 21 Aug 2012 | 21 Aug 2012 to 20 Aug 2015 | 0.50 | – | 3,600,000 | – | – | 3,600,000 | 3,600,000 |
| Director | 27 Mar 2013 | 27 Mar 2013 to 26 Mar 2016 | 0.55 | – | 1,400,000 | – | – | 1,400,000 | 1,400,000 |
| Total | | | | 262,800 | 91,200,000 | (6,000,000) | (50,000) | 85,412,800 | 85,412,800 |
| Weighted average exercise price | | | | HK$3.58 | HK$0.50 | HK$0.50 | HK$0.50 | HK$0.51 | HK$0.51 |

## 31. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

Movement of the outstanding share options and their weighted average exercise prices for the year ended 31 March 2012 were as follows:

| | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant of the options | Exercise period | Exercise price of the options (HK$) | Outstanding as at 1 April 2011 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding as at 31 March 2012 | Exercisable as at 31 March 2012 |
| *Old Share Option Scheme:* | | | | | | | | | |
| Consultants | 6 Mar 2007 | 6 Mar 2007 to 5 Mar 2017 | 3.58 | 262,800 | – | – | – | 262,800 | 262,800 |
| Weighted average exercise price | | | | HK$3.58 | – | – | – | HK$3.58 | HK$3.58 |

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.54. The options outstanding at the end of the year have a weighted average remaining contractual life of 2.44 years (2012: 5 years) and the exercise prices range from HK$0.5 to HK$3.58 (2012: HK$3.58).

During the year ended 31 March 2013, options were granted on 21 August 2012 and 27 March 2013. The estimated fair values of the options on those dates are approximately HK$8,236,000 and HK$246,000 respectively.

The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

| | 21 August 2012 | 27 March 2013 |
|---|---|---|
| Share price | HK$0.475 | HK$0.540 |
| Exercise price | HK$0.500 | HK$0.550 |
| Expected life | 0.716 years | 1.5 years |
| Expected volatility | 69.508% | 69.798% |
| Risk free rate | 0.152% | 0.152% |
| Expected dividend yield | Nil | Nil |

Expected volatility was determined by calculating the historical volatility of the Company over the expected life. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

Share options granted to consultants were incentives for helping the group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

## 32. NOTES TO STATEMENT OF CASH FLOWS

### Acquisition of a subsidiary

On 11 September 2012, the Group acquired 95% of the issued share capital of PTYZR for a cash consideration of HK$8,075,000. PTYZR was engaged in trading of coal during the year.

The fair value of the identifiable assets and liabilities of PTYZR acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 833 |
| Prepayments, deposits and other receivables | 9,421 |
| Bank and cash balances | 968 |
| Trade and other payables | (9,002) |
| Finance lease payables | (258) |
| Current tax liabilities | (24) |
| | 1,938 |
| Goodwill | 6,234 |
| Non-controlling interests | (97) |
| Total consideration satisfied by cash | 8,075 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | 8,075 |
| Cash and cash equivalents acquired | (968) |
| | 7,107 |

The goodwill arising on the acquisition of PTYZR is attributable to the anticipated profitability and future operating synergies from the combination.

PTYZR did not have any revenue for the year ended 31 March 2013. PTYZR contributed approximately HK$1,061,000 to the Group's losses for the year respectively for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 April 2012, total Group losses for the year would have been HK$133,618,000. The proforma information is for illustrative purposes only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor is intended to be a projection of future results.

## 33. LEASE COMMITMENTS

At 31 March 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **3,697** | 1,848 |
| In the second to fifth years inclusive | **181** | 465 |
| | **3,878** | 2,313 |

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms ranging from one to three years.

## 34. RELATED PARTIES TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the years ended 31 March 2012 and 2013 and balances with related parties as at 31 March 2012 and 2013.

### (a) Amount due from a director

Amounts due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

| **Name** | **Terms** | **Balance at 31 March 2013** | **Balance at 1 April 2012** | **Maximum amount outstanding during the year** |
|---|---|---|---|---|
| | | HK$'000 | HK$'000 | HK$'000 |
| Mr. Cheung Hung Man | Unsecured, interest-free and no fixed repayment terms | 109 | – | 109 |

### (b) Amount due to a shareholder – Kesterion

Kesterion is a shareholder of the Company and is controlled by Ms. Eva Wong, being the spouse of the chairman of the Company, Mr. Michael Koh Tat Lee, the sister-in-law of the non-executive director of the Company, Mr. Yin Mark Teh-min, and the sister of the former chairman of the Company, Mr. Wong Chung Yu, Denny.

The amount due to a shareholder, which represents the interest payable on the shareholder's loan as detailed in note 34(d) to the financial statements below, was unsecured and fully repaid on 25 March 2013.

## 34. RELATED PARTIES TRANSACTIONS *(continued)*

### (c) Amounts due to directors

The amounts due to directors are unsecured, interest-free and repayable on demand.

### (d) Shareholder's loan – Kesterion

The shareholder's loan is unsecured, bearing interest at the rate of 6% per annum payable semi-annually.

Pursuant to a debt restructuring agreement dated 22 December 2010 entered into between the Company, Black Sand Enterprises Limited ("BSEL"), a wholly-owned subsidiary of the Company, and Kesterion, the total debts of HK$70,000,000 due to Kesterion by the Group, including the matured outstanding promissory note with the principal amount of HK$60,000,000 and shareholder's loan of HK$10,000,000 which was unsecured, interest-free and repayable on demand, were restructured into the existing two years term shareholder's loan with principal amount of HK$70,000,000.

The shareholder's loan was fully repaid on 25 March 2013.

### (e) Key management personnel remuneration

Remuneration paid/payable to key management personnel of the Group, including the emoluments of the Company's directors and the highest paid individuals as disclosed in note 12 to the financial statements, is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, bonus and allowances | **6,340** | 6,016 |
| Retirement benefits scheme contributions | **152** | 56 |
| Equity-settled share-based payments | **393** | — |
| | **6,885** | 6,072 |

### (f) Security provided by a shareholder

Pursuant to the security document dated 13 March 2013 entered into between Kesterion and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited ("CSICEL"), Kesterion granted security over its interest in the shares of the Company and the Convertible Bonds as a continuing security to CSICEL to guarantee the due and punctual performance and observance of certain contractual obligations and liabilities by the Group under the trade contracts entered into between the Group and CSICEL in relation to trading of bunker fuel oil.

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2013 | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Investments in subsidiaries | **544,186** | 574,643 |
| Prepayments and other receivables | **54** | 54 |
| Cash and bank balances | **36** | 278 |
| Accruals and other payables | **(1,834)** | (2,084) |
| Due to a shareholder | **–** | (386) |
| Shareholder's loan | **–** | (30,000) |
| Convertible bonds | **(618,791)** | (525,718) |
| **Net (liabilities)/assets** | **(76,349)** | 16,787 |
| Financed by: | | |
| **Capital and reserves** | | |
| Share capital | **459,092** | 456,092 |
| Reserves | **(535,441)** | (439,305) |
| | **(76,349)** | 16,787 |

### Reserves

| | Share premium | Share option reserve | Convertible bonds equity reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2011 | 3,780,032 | 320 | 1,263,605 | (303,707) | 4,740,250 |
| Total comprehensive loss and changes in equity for the year | – | – | – | (5,179,555) | (5,179,555) |
| At 31 March 2012 | 3,780,032 | 320 | 1,263,605 | (5,483,262) | (439,305) |
| At 1 April 2012 | 3,780,032 | 320 | 1,263,605 | (5,483,262) | (439,305) |
| Total comprehensive loss for the year | – | – | – | (104,618) | (104,618) |
| Share-based payments | – | 8,482 | – | – | 8,482 |
| Issue of shares on exercise of share options | – | (551) | – | 551 | – |
| Changes in equity for the year | – | 7,931 | – | (104,067) | (96,136) |
| At 31 March 2013 | 3,780,032 | 8,251 | 1,263,605 | (5,587,329) | (535,441) |

## 36. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2013 are as follows:

| Name | Place of incorporation/ registration and operation | Issued and paid up capital | Percentage of ownership interest / voting power / profit sharing Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Black Sand Enterprises Limited | Hong Kong | 300,000 ordinary shares of HK$1 each | 100% | – | Investment holding |
| Black Sand International (Singapore) Pte. Ltd. | Singapore | 1,000,000 ordinary shares of SGD1 each | – | 100% | Trading of coals and metals |
| Black Sand Metal Trading Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 80% | Dormant |
| Black Sand Petroleum (S) Pte. Ltd. (Formerly known as Baxus Petroleum (S) Pte. Ltd.) | Singapore | 10 ordinary shares of SGD1 each | – | 90% | Trading of bunker fuels |
| Black Sand Resources Trading Limited | British Virgin Islands/ Hong Kong | 1 ordinary share of USD1 each | – | 100% | Dormant |
| Black Sand Securities Trading Limited | Hong Kong | 1 ordinary share of HK$1 each | – | 100% | Dormant |
| First Pine Enterprises Limited | British Virgin Islands/ Hong Kong | 1 ordinary share of USD1 each | – | 100% | Investment holding |
| Mt. Mogan Holdings Inc. | British Virgin Islands/ Hong Kong | 50,000 ordinary shares of USD1 each | – | 100% | Investment holding |
| Mt. Mogan Resources and Development Corporation | The Philippines | 25,000 ordinary shares of PHP100 each | – | 64% | Mineral exploration and mining activities |
| Pan Asia Mining (HK) Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | 100% | – | Dormant |
| PT Yaozhong Resources | Republic of Indonesia | USD1,000,000 | – | 95% | Trading of coal |
| Service Form Limited | Hong Kong | 1 ordinary share of HK$1 each | 100% | – | Dormant |
| 寰亞宏華商貿(北京)有限責任公司* | PRC | Paid-up capital of RMB20,056,294 | – | 100% | Trading of metals and other products |

* Wholly foreign-owned enterprise established in the PRC.

## 37. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a conditional sale and purchase agreement dated 27 March 2013 and amended by a supplemental agreement dated 10 May 2013 entered into between the Group and Brighton Asia Pacific Investment Limited (the "Vendor"), the Group agreed to acquire the entire equity interest in Brighton Asia Pacific Investment Holdings Limited ("Brighton") at consideration of HK$50,050,000 (subject to adjustment) (the "Acquisition") which shall be settled by the issue and allotment of a maximum of 91,000,000 shares of the Company. The consideration is subject to the adjustments below:

(a) In the event that the profit of the Brighton and its subsidiary, Xiamen Yaozhong Asia-Pacific Trading Co., Ltd ("廈門耀中亞太貿易有限公司") (collectively the "Target Group") for the year ending 31 March 2014 (the "Guaranteed Period") is not less than HK$3,700,000, the consideration shall be HK$50,050,000;

(b) in the event that the profit of the Target Group for the Guaranteed Period is more than HK$1,000,000 but less than HK$3,700,000, the Consideration shall be reduced by HK$1,350,250 per HK$100,000 shortfall from HK$3,700,000. Any shortfall less than HK$100,000 will be rounded up to HK$100,000; and

(c) in the event that the profit of the Target Group for the Guaranteed Period is HK$1,000,000 or less, the consideration shall be adjusted to HK$13,593,250;

Mr. Cheung Hung Man, a director of the Group, was the sole shareholder of the Vendor and the sole director of the Target Company.

The Acquisition was completed on 31 May 2013, details of which are set out in the Company's announcements dated 27 March 2013, 10 May 2013 and 31 May 2013. The directors of the Company considered that it is impracticable at this moment to disclose further information about the Acquisition.

## 38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 June 2013.

## RESULTS

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Continuing operations | | | | | |
| Turnover | **274,489** | 331,296 | 10,419 | 14,730 | 4,287 |
| Loss from operations | **(33,506)** | (34,883) | (17,923) | (19,102) | (16,228) |
| Impairment of exploration and evaluation assets | **–** | (7,342,417) | – | – | – |
| Finance costs | **(94,465)** | (81,420) | (72,624) | (134,105) | (53,097) |
| Share of losses of associates | **–** | (172) | (55) | (35) | (21) |
| Loss before tax | **(127,971)** | (7,458,892) | (90,602) | (153,242) | (69,346) |
| Income tax expense | **–** | (12) | – | (24) | (73) |
| Loss for the year from continuing operations | **(127,971)** | (7,458,904) | (90,602) | (153,266) | (69,419) |
| Profit/(loss) for the year from discontinued operation | **–** | – | – | 25,811 | (28,724) |
| Loss for the year | **(127,971)** | (7,458,904) | (90,602) | (127,455) | (98,143) |
| Other comprehensive (loss)/ income for the year, net of tax | **(372)** | (1,897) | (11) | (137) | 73 |
| Total comprehensive loss for the year | **(128,343)** | (7,460,801) | (90,613) | (127,592) | (98,070) |
| **Loss for the year attributable to:** | | | | | |
| Owner of the Company | **(127,681)** | (4,815,119) | (89,907) | (127,085) | (98,085) |
| Non-controlling interests | **(662)** | (2,643,785) | (695) | (370) | (58) |
| | **(128,343)** | (7,458,904) | (90,602) | (127,455) | (98,143) |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Total assets** | **1,395,134** | 1,259,612 | 8,667,956 | 8,444,243 | 8,469,933 |
| **Total liabilities** | **(829,533)** | (577,247) | (524,790) | (581,703) | (1,114,934) |
| **Non-controlling interests** | **(387,348)** | (387,913) | (3,032,355) | (3,033,050) | (3,033,383) |
| | **178,253** | 294,452 | 5,110,811 | 4,829,490 | 4,321,616 |