亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

*(Formerly known as Nubrands Group Holdings Limited 滙寶集團控股有限公司 *)*

ANNUAL REPORT 2009/10

Stock Code: 835

** For identification purposes only*

Contents

Corporate Information

DIRECTORS

Executive directors

Hu Suling
Kwok Wing Leung, Andy
Jin Langchuan
Sun David Lee

Non-executive directors

Yeung Ting Lap, Derek Emory
Nie Fei
Li Ruihai
Yip Toutou

Independent non-executive directors

Chiu Kam Hing, Kathy
Ho Man Kin, Tony
Li Kar Fai, Peter
Lu He
Wang Lijie

REGISTERED OFFICE

Clarendon House
2 Church House
Hamilton HM11
Bermuda

HEAD OFFICE
PRINCIPAL PLACE OF BUSINESS

Room 2002-03
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8 Cotton Tree Drive, Central
Hong Kong

COMPANY SECRETARY

Chow Kim Hang

AUDITOR

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR

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

AUDIT COMMITTEE

Li Kar Fai, Peter
Ho Man Kin, Tony
Yeung Ting Lap, Derek Emory
Wang Lijie

REMUNERATION COMMITTEE

Ho Man Kin, Tony
Li Kar Fai, Peter
Yeung Ting Lap, Derek Emory
Wang Lijie

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

LEGAL ADVISERS

Tsun & Partners
Suites 1002-03, 10/F., Aon China Building
29 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

http://www.irasia.com/listco/hk/asiacoal

SHARE LISTING

Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 835

The Statement of the Chairman

On behalf of my fellow directors and senior management team, I am pleased to present the Annual Report of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31st March 2010.

To expand the coal business of the Group, the Company entered into a sale and purchase agreement during the year to conditionally agree to indirectly acquire 60% interest in the Guyi Mine and 80% interest in the Gujiao Mine in Shanxi Province. However, as a result of the continuing government mandated process of consolidation of coal resources in Shanxi Province, Gujiao Mine was transferred to a privately-owned consolidating entity and could not form part of the target group in accordance with the reorganisation procedures stipulated in the original sale and purchase agreement. The acquisition was eventually terminated as the vendor could not satisfy certain condition precedent of the sale and purchase agreement.

The sale and purchase agreement entered into by the Company during the year to acquire 90% equity interests in 壽陽麥捷實業有限公司 Shouyang Maijie Industry Company Limited was also terminated due to the policy for the consolidation of coal resources by the Shanxi Province government as mentioned above.

Despite the difficulties encountered for the acquisitions of the coal mines owing to the consolidation policy during the year, the Group will continue to seek and seize opportunities for a series works of acquisitions, divest in some non-core businesses and finally complete the restructuring.

The strategy of the Group's restructuring should be in accordance with the following principles:

1. Regard the coal operation as the main business, become a resource company group extending from the coal industry chain.

2. Control different types of coal resources, from coking coal, anthracite and steam coal, at an appropriate proportion.

3. Regulate the proportion of explored resources, coal mine under construction and producing coal mine, to assure the healthy and balanced development of the Company, and pay attention to the business of sales and trading of coal.

4. Expand our business in China, overseas and other Asian countries.

The Statement of the Chairman

Through the above restructuring strategy, we believe that the Company would gradually become a group with coal business as its principal business operation. It will bring great returns to the Company and our shareholders.

At this time when the corporate restructuring and business expansion are well underway, I would like to extend my greatest appreciation to the members of the Board for their consistent hard work, dedication and support, and also appreciate the customers, collaborator, business partners and investors for their continued support.

Hu Suling
Chairman and Chief Executive Officer

Hong Kong, 19th July 2010

BUSINESS REVIEW

During the year, the Group continued to engage in coal mining business and distribution of health and beauty products.

In the coal mining segment, the Group continued to hold the mining right to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. Technical assessment on the Saikhan Ovoo coal deposit is being carried out by independent technical adviser appointed by the Group. For the acquisition of Power Field Holdings Limited ("PF"), the Sinotum resources technical assessment was completed during the year. The Company is reviewing the report and is in the course of negotiating with the vendor on alternatives regarding the PF acquisition.

In the health and beauty segment, the Group has expanded its business by opening new Dermagram beauty centers in the second half of the year to promote and sell Dermagram products and provide beauty services to customers.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2010, the Group generated a consolidated turnover of approximately HK$6.9 million, representing a decrease of 58.2% as compared to that of last financial year. The Group recorded a gross profit of approximately HK$2.3 million, representing a 66.1% decrease as compared to that of last financial year. The gross profit margin also decreased from 40.5% as recorded in previous year to 32.8% for the year under review. The decrease in turnover, gross profit and gross profit margin was mainly due to the difficult business environment resulting from the keen market competition in the cosmetic and beauty sector. The disposal of the medical equipment trading business in July 2008 also had a negative impact on turnover and gross profit as last year's consolidated income statement included 3 months' turnover and gross profit from the discontinued business for the period before the disposal.

Loss attributable to equity holders of the Company increased to approximately HK$76 million from HK$35 million as recorded in the previous financial year. The increase in loss was mainly due to the increase in administrative expenses, the finance costs on the convertible bond issued in July 2008 as consideration for acquisition of the exploration and evaluation assets and the nonrecurring gain on disposal of subsidiaries of approximately HK$10,539,000 recorded in the previous financial year.

FINANCIAL REVIEW *(Continued)*

Segmental Analysis

Coal Mining

On 25th January 2008, the Group entered into agreements to acquire Giant Field Group Limited ("GF") and PF. GF, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. PF, through its wholly-owned subsidiary, Sinotum Mongolia LLC ("Sinotum"), holds the mineral exploration and other rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia. As disclosed in the Company's circular dated 19th May 2008, the Saikhan Ovoo coal deposit held by SMI has an estimated reserves amount of 69.6 million tonnes, as determined and classified in accordance with the 1981 Classification of Reserves and Resources of Mineral Deposits ("CIS").

Since the completion of the GF acquisition in July 2008, technical assessments on both the coal mine held by SMI and the coal mine held by Sinotum have been carried out by the independent technical advisors appointed by the Group. Approximately HK$13 million and HK$4 million additional expenditures for the SMI technical assessment and the Sinotum resources technical assessment have been incurred during the year and capitalized as exploration and evaluation assets and recorded as prepayments respectively.

The Sinotum resources technical assessment report has been completed. The Company is reviewing the report and is in the course of negotiating with the vendor on alternatives regarding the PF acquisition. Up to the date of approval of the annual report, the SMI technical assessment has not been completed and the actual reserves amount held by SMI as under the JORC Code is to be determined.

Health and Beauty Products

During the year under review, sales of health and beauty products amounted to approximately HK$6.9 million, representing a decrease of HK$3.0 million or 30.1% as compared with that of last financial year. The gross profit of the segment also decreased by HK$2 million or 47.7% to approximately HK$2.3 million this year and the gross profit margin of the segment slid from 43.9% as recorded in previous year to 32.8% this year. The decrease in turnover and gross profit was mainly attributable to the lower contribution by the LaVie brand products. The business environment was difficult with keen competition in the cosmetic and beauty sector. Greater promotional and marketing spending by international cosmetic brands and resources allocation to other new brands by our major distributor have adversely affected LaVie's sales and gross profit margin this year.

The segmental loss for the year decreased to approximately HK$11.0 million from HK$14.7 million as recorded in the previous financial year owing to the nonrecurring impairment loss on intangible asset of HK$5.4 million recorded in last year but was partly offset by the lower turnover and gross profit generated this year.

FINANCIAL REVIEW *(Continued)*

Financial Resources, Liquidity and Capital Structure

As at 31st March 2010, the Group held cash and bank balances amounting to approximately HK$28,556,000 (2009: HK$103,756,000). As at 31st March 2010, total borrowings of the Group were approximately HK$138,203,000 (2009: HK$102,505,000). The borrowings represented the liability component of the convertible bond issued in July 2008 as consideration for the acquisition of GF. The zero coupon convertible bond of principal amount of HK$218,221,675 is unsecured and has a maturity of five years from the issue date. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to shareholders of the Company, was 37.7% (2009: 4.6%).

In view of the decrease in cash and bank balances of the Group, the directors of the Company aim to implement a series of cost-saving measures to improve the liquidity of the Group. Provided that these measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group will have sufficient financial resources to fund its operational requirements.

Charges on Assets

As at 31st March 2010, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,719,000 and HK$178,000 were pledged to secure the Group's banking facilities and finance lease obligations.

Foreign Exchange Risk Management

The majority of the Group's assets and liabilities are either denominated in Hong Kong dollars or United States dollars and most of the Group's cash balances are deposited in Hong Kong dollars or United States dollars with banks in Hong Kong and the PRC. Certain portions of the Group's purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Capital Commitment

1. As at 31st March 2010, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately HK$625,000 in respect of the exploration work to be performed.

2. As at 31st March 2010, the PF acquisition has not been completed and the total consideration for the GF acquisition is subject to adjustment. Pursuant to the GF and PF sale and purchase agreements, the consideration for the GF acquisition and PF acquisition will be determined based on the quantity and quality of coal ore resources and/or reserves held by SMI and Sinotum respectively by reference to the technical assessments prepared by the technical advisers. The consideration for the GF acquisition and PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively.

FINANCIAL REVIEW *(Continued)*

Capital Commitment (Continued)

3. On 30th April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Seawise Group Limited ("Seawise") ("Seawise Acquisition"). It was originally contemplated that upon completion of a proposed reorganisation, Seawise would indirectly hold 60% and 80% equity interests in 蒲縣晟鵬煤焦有限公司 Puxian Shengpeng Coal & Coke Company Limited ("Puxian Shengpeng") and 古交市玉峁煤業有限公司 Gujiao City Yumao Coal Mining Company Limited ("Gujiao Yumao") respectively, which in turn would beneficially own the coal mine located to the west of Guyi Village, Xueguan Town, Pu County, Shanxi Province ("Guyi Mine") and the coal mine located at Nanjiashan Village, Malan Town, Gujiao City, Shanxi Province ("Gujiao Mine") respectively. However, as a result of the continuing government mandated process of consolidation of coal resources in the Shanxi Province, the mining licence of the Gujiao Mine was transferred and consolidated to a privately-owned PRC consolidating entity. In view of such circumstances, the Company entered into a supplemental agreement on 1st March 2010 to vary certain terms of the original sale and purchase agreement to the effect that Gujiao Yumao and the Gujiao Mine will no longer form part of the Seawise group, instead the vendor agreed to pay an aggregate sum of RMB256,000,000 in cash to a bank account of an indirectly wholly-owned subsidiary of Seawise as the replacement and settlement for the vendor's inability to complete the original reorganisation steps stipulated in the original sale and purchase agreement (the "Settlement").

   The consideration of the Seawise Acquisition amounts to approximately HK$1,524,525,000 (subject to the adjustment mechanism as set out in the Company's circular dated 20th May 2010) and shall be satisfied by the issue of ordinary shares and convertible bonds of the Company.

   The Seawise Acquisition constitutes a very substantial acquisition and a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and was approved by the independent shareholders in a special general meeting held on 9th June 2010.

   As set out in the Company's announcement dated 16th July 2010, the completion of the Seawise Acquisition is conditional upon, among other matters, the completion of the Reorganisation as defined in the Company's circular dated 20th May 2010 (including the Settlement) and the obtaining of all necessary consents and approvals required to be obtained from relevant authorities in respect of the Reorganisation (including the Settlement) and the transactions contemplated thereunder (the "Condition G") on or before 4:00 p.m. on 30th June 2010, or such later date as the vendor and the Company may agree.

   Up to 16th July 2010, the Company has not received any evidence that the Settlement has been effected. As the Condition G has not been fulfilled, the sale and purchase agreement (as amended by any supplemental agreements thereafter) had accordingly ceased and terminated. The Company is exploring the possibility of taking legal actions against the vendor and reserves all its rights against the vendor. The Company has not paid any consideration or deposits to the vendor in respect of the Seawise Acquisition.

FINANCIAL REVIEW *(Continued)*

Capital Commitment (Continued)

4. On 30th September 2009, the Group entered into a Sale and Purchase Agreement to acquire the entire issued share capital of Glory Success Group Holdings Limited ("Glory Success") which would indirectly hold 90% interests in a coal mine located at East RongJiaGou Estate, Chengbei Jiechou Village, Shouyang County, Jinzhong City, Shanxi Province in PRC ("Maijie Mine") upon completion of a proposed reorganisation. However, as a result of the policy change for the consolidation of coal resources in Shanxi Province, the Maijie Mine has been mandated to be transferred to certain state-owned enterprises by the Shanxi Government and the reorganisation (which is one of the conditions precedent of the acquisition) could not proceed. Since the conditions precedent could not be fulfilled on or before the long stop date (i.e. 31st March 2010), the sales and purchase agreement was ceased and terminated after the long stop date and thereafter neither contracting party had any obligations and liabilities towards each other.

Contingent Liabilities

As at 31st March 2010, the Group had no significant contingent liabilities.

PROSPECTS AND OUTLOOK

It is the Company's long term business development strategy to establish the Group as a coal mining company. Going forward, while continuing the business of distribution of health and beauty products, the coal and energy-related business will be the focus of the Group.

During the year, the Group has identified strategic acquisition opportunities which are in line with the Group's expansion strategy. The Company has entered into two sale and purchase agreements to acquire Seawise and Glory Success as set out in the above capital commitment section. Despite the difficulties encountered for these acquisitions owing to the policy change for consolidation of coal resources in Shanxi Province, the Group will continue to look for acquisition opportunities which will enhance the Group's coal resources and expand its coal business operation.

On 20th June 2010, the Company entered into a non-legally binding memorandum of understanding ("MOU") in respect of the possible acquisition of 90% beneficial interests in the two coal mines located in Shanxi Province, the PRC ("Mines"). Pursuant to the representation given by the vendor under the MOU, the aggregate coal resources of the Mines as determined under Chinese resource estimate standards shall be approximately 180,000,000 tonnes. The total consideration will be determined after post completion of technical and commercial due diligence by reference to the reserves and/or resources of the Mines as assessed under the appropriate reporting standard in compliance with the Listing Rules and will be in the range of HK$36 to HK$50 per tonne of reserves and/or resources of the Mines. The consideration of the proposed acquisition is intended to be settled by the Company by way of issuing convertible bonds, and/or cash and/or any combination thereof. The proposed acquisition will provide the Group with opportunity to further invest in the coal industry in the PRC.

PROSPECTS AND OUTLOOK *(Continued)*

The Group will continue to look for strategic acquisitions and partnership opportunities which are in line with the Group's expansion strategy or provide synergy to its principal business activities. The Group will also consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

HUMAN RESOURCES

As at 31st March 2010, the Group had a total of 58 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31st March 2010, applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save and except certain deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the financial year ended 31st March 2010.

Directors and Directors' Independence

The board of directors (the "Board") during the year and up to the date of this report comprised:

Executive directors

Ms. Hu Suling	*(Chairman and Chief Executive Officer)*
Mr. Kwok Wing Leung, Andy	
Mr. Jin Langchuan	
Mr. Sun David Lee	
Mr. Tse Michael Nam	*(resigned on 11th April 2009)*

Non-executive directors

Mr. Yeung Ting Lap, Derek Emory	*(contracted for a specific term of 2 years from 1st April 2010)*
Ms. Nie Fei	*(contracted for a specific term of 2 years from 18th March 2009)*
Mr. Li Ruihai	*(contracted for a specific term of 2 years from 18th March 2009)*
Mr. Yip Toutou	*(appointed on 1st October 2009 & contracted for a specific term of 2 years from 1st October 2009)*

Independent non-executive directors

Ms. Chiu Kam Hing, Kathy	*(contracted for a specific term of 2 years from 1st April 2010)*
Mr. Ho Man Kin, Tony	*(contracted for a specific term of 2 years from 1st April 2010)*
Mr. Li Kar Fai, Peter	*(contracted for a specific term of 2 years from 1st April 2010)*
Ms. Lu He	*(contracted for a specific term of 2 years from 1st February 2009)*
Professor Wang Lijie	*(contracted for a specific term of 2 years from 18th March 2009)*

DIRECTORS *(Continued)*

Directors and Directors' Independence (Continued)

The Company has received, from each of the independent non-executive directors, the respective confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

During the financial year ended 31st March 2010, 13 Board meetings, 2 meetings of the Audit Committee of the Company (the "Audit Committee") and 3 meetings of the Remuneration Committee of the Company (the "Remuneration Committee") were held respectively. Attendance by directors at Board and Committee meetings is shown below:

Attendance Record for the Board and Committee Meetings During the Year		Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
		Number of Attendance/Number of Meeting		
Executive directors				
Ms. Hu Suling		11/13	N/A	N/A
Mr. Kwok Wing Leung, Andy		13/13	N/A	N/A
Mr. Jin Langchuan		13/13	N/A	N/A
Mr. Sun David Lee		13/13	N/A	N/A
Mr. Tse Michael Nam	*(resigned on 11th April 2009)*	0/13	N/A	N/A
Non-executive directors				
Mr. Yeung Ting Lap, Derek Emory		11/13	2/2	3/3
Ms. Nie Fei		11/13	N/A	N/A
Mr. Li Ruihai		7/13	N/A	N/A
Mr. Yip Toutou	*(appointed on 1st October 2009)*	4/13	N/A	N/A
Independent non-executive directors				
Ms. Chiu Kam Hing, Kathy		8/13	N/A	N/A
Mr. Ho Man Kin, Tony		6/13	2/2	3/3
Mr. Li Kar Fai, Peter		7/13	2/2	3/3
Ms. Lu He		5/13	N/A	N/A
Professor Wang Lijie		11/13	2/2	2/3

DIRECTORS *(Continued)*

Role and Function

While daily operation and administration are delegated to the management, the Board is responsible for the types of decision relating to the following aspects:

– Formulation of operational and strategic direction of the Group;

– Monitoring the financial performance of the Group;

– Overseeing the performance of the management;

– Ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

– Setting the Company's values and standards.

The Board held meetings from time to time whenever necessary. Minutes of the Board, the Audit Committee and the Remuneration Committee meetings are circulated to all directors or relevant committee members for their perusal and comments and approved minutes are kept by the company secretary for inspection by the directors. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

The attendance record of individual Board meetings during the year is set out in the table on page 12 of this report.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

DIRECTORS *(Continued)*

The Separate Roles of Chairman and Chief Executive Officer

The Company does not have two separate chairman and chief executive officer, and Ms. Hu Suling currently holds both positions. This constitutes a deviation from code provision A.2.1 of the Code. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. The structure includes:

– Having the Audit Committee comprising a majority of independent non-executive directors;

– Having the Remuneration Committee comprising a majority of independent non-executive directors; and

– Ensuring that independent non-executive directors have free and direct access to both Company's external auditors and independent professional advice where considered necessary.

The Board believes that these measures will ensure that our independent non-executive directors continue to effectively supervise the Group's management and to provide vigorous control of key issues relating to strategy, risk and integrity. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the separation of the positions of chairman and chief executive officer, are necessary.

Appointments and Re-election of Directors

No nomination committee is established in view of the current business size of the Company. Currently, the Board is responsible for reviewing its composition, identifying and selecting suitable Board members, assessing independence of the independent non-executive directors, considering appointment or re-appointment of the directors and succession planning for the directors. The appointment of new directors will be considered and approved by the Board based on the proposed director's knowledge, experience and contribution to the Group. Newly appointed directors are subject to re-election by shareholders of the Company at the general meetings in the first year of the appointment pursuant to the Company's Bye-laws. The Board held a meeting during the year regarding the nomination and approval of appointment of director. The directors of the Company, namely Ms. Hu Suling, Mr. Kwok Wing Leung, Andy, Mr. Jin Langchuan, Mr. Sun David Lee, Mr. Yeung Ting Lap, Derek Emory, Ms. Nie Fei, Mr. Li Ruihai, Ms. Chiu Kam Hing, Kathy, Mr. Ho Man Kin, Tony, Mr. Li Kar Fai, Peter and Professor Wang Lijie, attended this meeting.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The Company has entered into service contracts with all four existing non-executive directors of the Company, and all five independent non-executive directors of the Company for specific terms of two years, directorships of which are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

DIRECTORS *(Continued)*

Directors' Responsibility for Financial Statements

The directors acknowledge their responsibility in overseeing the preparation of the financial statements that give a true and fair view of the state of affairs of the Group. The financial statements have been prepared on a going concern basis as the directors believe that a series of cost-saving measures can improve the Group's liquidity position. Provided that the measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. With the assistance of the finance department, the directors ensures that the financial statements of the Group are being prepared, and published in a timely manner, in accordance with the applicable accounting standards and statutory requirements. The directors' statements of responsibility for the financial statements should be read in conjunction with – but distinguished from – the Independent Auditor's Report on pages 33 to 34 of this Annual Report, which acknowledges the reporting responsibilities of the external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee comprises three independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman), Mr. Li Kar Fai, Peter and Professor Wang Lijie and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Group's policy and structure for all remuneration packages of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(2) To have the delegated responsibility to determine the specific remuneration packages for 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, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

REMUNERATION COMMITTEE *(Continued)*

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(6) To ensure that no director or any of his/her associate is involved in deciding his/her own remuneration. It shall advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval.

The Remuneration Committee held three meetings during the year. The complete attendance record of individual committee members is set out in the table on page 12 of this report.

The remuneration policies for the Company as well as the directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the internal control system of the Group. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31st March 2010 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely, Mr. Li Kar Fai, Peter (chairman), Mr. Ho Man Kin, Tony and Professor Wang Lijie and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditors of the Company.

AUDIT COMMITTEE *(Continued)*

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, (i) to oversee the relationship with the Company's auditors; (ii) to review the interim and annual financial statements; and (iii) to review the Company's financial reporting system and internal control and risk management procedures.

The Audit Committee held two meetings during the year. The complete attendance record of individual committee members is set out in the table on page 12 of this report.

In performing its duties in accordance with its terms of reference, the Audit Committee reviewed and supervised the financial reporting process and internal control and risk management systems of the Group and reviewed the Group's financial statements for the relevant period with reference to the scope of the terms of reference. The Audit Committee also conducted discussion with external auditors on financial reporting and compliance and reported relevant matters to the Board.

AUDITORS

The financial reporting responsibilities of the auditors are set out on pages 33 to 34 of this annual report.

During the financial year ended 31st March 2010, the fees paid/payable to the external auditors, Deloitte Touche Tohmatsu, in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services rendered	Fee paid/payable HK$'000
Audit services	1,100
Non-audit services	2,506
	3,606

CORPORATE COMMUNICATION/INVESTOR RELATIONS

The Code requires the Company to have a dialogue with shareholders and the Board recognises the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information on the Group's operational and financial performances while general meetings offer a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them up-to-date and comprehensive information regarding the Group's development. The Company practices timely dissemination of information including annual reports, interim reports, announcements and press releases, and is updated in a timely manner to ensure transparency.

EXECUTIVE DIRECTORS

Ms. Hu Suling

Ms. Hu, aged 47, has been an executive director and chief executive officer of the Company since March 2009, and was appointed chairman of the Board in April 2009. Ms. Hu holds a Bachelor's degree in Mechanical and Engineering from E&M Department, Science and Technology University of Inner Mongolia, which was previously known as Baotou Iron and Steel College, and completed her graduate studies in Economy Management at Chinese Academy of Social Sciences in the People's Republic of China. Since 1993, Ms. Hu has been engaging in the consulting of investment and management relating to coal and coking. Prior to that, Ms. Hu has 10 years experience in design and manufacture of the mechanical equipments of mining and melting.

Mr. Kwok Wing Leung, Andy

Mr. Kwok, aged 36, has been an executive director of the Company and chairman of the Board since September 2005, and resigned as chairman of the Board but remaining as an executive director of the Company in April 2009. Mr. Kwok has over 10 years of local and overseas financial and general management experience and has experience in the trading business in the People's Republic of China. Mr. Kwok holds a Master's degree in Business Administration from Tsinghua University and a Bachelor's degree in Economics from the University of Sydney. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kwok is the sole director and beneficial owner of Billion Pacific Ventures Limited, a substantial shareholder of the Company. Mr. Kwok is also the independent non-executive director of AGTech Holdings Limited which shares are listed in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Jin Langchuan

Mr. Jin, aged 67, has been an executive director and chief executive officer of the Company since September 2008. Mr. Jin ceased to be chief executive officer of the Company but remaining as an executive director of the Company and was appointed as vice president of the Company (in charge of power-related matters) in March 2009. Mr. Jin graduated from Nanjing Power Institute (南京電力專科學校) in 1962. Mr. Jin recently served as the senior advisor to Huaneng International Power Development Company (華能國際電力開發公司). Prior to that, Mr. Jin was the chief engineer and senior vice president of China Huaneng Group Company (中國華能集團公司), the largest independent power company in the People's Republic of China. Before Mr. Jin joined China Huaneng Group Company (中國華能集團公司) in 1995, he was the deputy director of Northeastern Power Administration Bureau (東北電業管理局副局長). Mr. Jin has over 44 years of management and operation experiences in the power industry of the People's Republic of China.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Sun David Lee

Mr. Sun, aged 44, has been an executive director of the Company since August 2008. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, USA. Mr. Sun is currently an executive director of BIO-DYNAMIC GROUP LIMITED which shares are listed in the main board of the Stock Exchange. Mr. Sun is currently responsible for the international affairs of BIO-DYNAMIC GROUP LIMITED and a director of CEC Management Limited. Prior to helping form CEC Management Limited, he was the managing director and general counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey & Company, Inc., he practised law as an associate in the corporate group at Linklaters.

NON-EXECUTIVE DIRECTORS

Mr. Yeung Ting Lap, Derek Emory

Mr. Yeung, aged 37, has been a non-executive director of the Company since September 2005. Mr. Yeung holds a Bachelor's degree in Applied Mathematics and Economics from Brown University and a Master's degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a member of the American Institute of the Certified Public Accountants. Mr. Yeung is presently the chief executive officer and co-founder of She.Com International Holdings Limited and She. Communications Limited, a leading female-centric cross-media communications company and an associate company of a Hong Kong listed company, TOM Group Limited. Mr. Yeung is currently a non-executive director of BIO-DYNAMIC GROUP LIMITED which shares are listed in the main board of the Stock Exchange.

Ms. Nie Fei

Ms. Nie, aged 47, has been a non-executive director of the Company since March 2009. Ms. Nie holds a Bachelor's degree in Chemical Engineering from Tsinghua University in the People's Republic of China, a Master's degree in Management Information Systems from United States International University and a Master's degree in Chemistry from Rochester Institute of Technology, both in the United States of America. Ms. Nie has over 15 years experience in marketing and business development. Ms. Nie is the general manager of ChangJiang ZhongJi DaDi Mining Co. Ltd., private-owned iron ore mining company in Hainan.

Mr. Li Ruihai

Mr. Li, aged 70, has been a non-executive director of the Company since March 2009. Mr. Li completed his studies in the training courses of the leading cadres of large and medium-sized enterprises at University of International Business and Economics in the People's Republic of China. Mr. Li has over 30 years experience in management and international trading. He was the deputy director of Tianjin Baodi Foreign Trade Bureau, the chief manager of Tianjin Huanong Import & Export Corporation and Tianjin Zhongsi Import & Export Corporation. Currently, Mr. Li is the director of a private-owned company, Tianjin KINHOM Group.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Yip Toutou

Mr. Yip, aged 58, has been a non-executive director of the Company since October 2009. Mr. Yip graduated from Hebei No. 6 Aviation School in the People's Republic of China. Mr. Yip had held various management positions under China Civil Aviation for over 14 years. In 1990, Mr. Yip founded Guoye Holding Company and has been engaged in investment and investment consulting business across a range of sectors including resources in the People's Republic of China and Hong Kong. Currently, Mr. Yip is the chairman of Guoye Holding Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy

Ms. Chiu, Justice of the Peace, aged 61, has been an independent non-executive director of the Company since June 2006. Ms. Chiu holds a Bachelor's degree in Business Administration in Canada and a Diploma in Economics, Finance & Political Studies from Beijing University in the People's Republic of China. Ms. Chiu is an associate and a fellow of the Institute of Canadian Bankers, has almost 30 years of banking experience in both Canada and Asia Pacific region and has held key position in a major bank of the United States of America. Ms. Chiu is an independent non-executive director of Qianlong Technology International Holdings Limited which shares are listed in the Growth Enterprise Market of the Stock Exchange.

Mr. Ho Man Kin, Tony

Mr. Ho, aged 39, has been an independent non-executive director of the Company since March 2006. Mr. Ho holds a Bachelor's degree in Management Science from the University of St. Andrews. Mr. Ho was most recently the Head of Special Situation Investments – Greater China, LaSalle Investment Management in Hong Kong and held key positions in various corporate advisory assignments. Mr. Ho has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. Li Kar Fai, Peter

Mr. Li, aged 45, has been an independent non-executive director of the Company since March 2006. Mr. Li holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting.

Ms. Lu He

Ms. Lu, aged 36, has been an independent non-executive director of the Company since August 2008. Ms. Lu holds a Bachelor's Degree in Engineering from Northern Jiaotong University in the People's Republic of China, a Master's Degree in Economics from Peking University in the People's Republic of China and has also been awarded a Master of Business Administration from London Business School. Ms. Lu was most recently a vice president in corporate finance at Credit Suisse and prior to that held a similar position at Deutsche Bank. Ms. Lu is experienced in both corporate advisory and equity capital market transactions, including mergers and acquisitions, capital raisings and privatizations.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Professor Wang Lijie

Professor Wang, aged 57, has been an independent non-executive director of the Company since March 2009. Professor Wang holds a Doctor's degree in Management Science & Engineering from China University of Mining & Technology (Beijing) in the People's Republic of China. Professor Wang is professor of school of management of China University of Mining & Technology (Beijing), tutor of postgraduate candidates and dean. Professor Wang has over 20 years experience in teaching and research work in the fields of mining, policy and management of energy sources and enterprise strategy management. Professor Wang has accomplished numerous scientific research items provided by National Natural Science Foundation of China and Ministry and Coal enterprises and gained national and ministry awards in science and technology. Professor Wang is an expert in coal system. He is the associate director of Economy & Management Special Committee of China Coal Academy and director of China Coal Economic Seminar. Professor Wang is also the independent director of Pingdingshan Tianan Coal Mining Co., Ltd., a Shanghai-listed company.

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the coal and energy-related business and the manufacturing and distribution of personal care and beauty products.

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 35 of the annual report.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 38 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 98 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There are no distributable reserves of the Company at 31st March 2010, calculated under The Companies Act 1981 of Bermuda (as amended). The Company's share premium account, in the amount of HK$251,311,000 at 31st March 2010 (2009: HK$249,005,000), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 54% and 94% respectively of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 87% and 89% respectively of the Group's total turnover for the year.

Mr. Kwok Wing Leung, Andy, a director of the Company, is one of the five largest customers, which accounted for 0.6% of the Group's total turnover for the year.

Save as the aforesaid, none of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.

DIRECTORS

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

Executive directors

Ms. Hu Suling	*(Chairman and Chief Executive Officer)*
Mr. Kwok Wing Leung, Andy	
Mr. Jin Langchuan	
Mr. Sun David Lee	
Mr. Tse Michael Nam	*(resigned on 11th April 2009)*

Non-executive directors

Mr. Yeung Ting Lap, Derek Emory	
Ms. Nie Fei	
Mr. Li Ruihai	
Mr. Yip Toutou	*(appointed on 1st October 2009)*

Independent non-executive directors

Ms. Chiu Kam Hing, Kathy
Mr. Ho Man Kin, Tony
Mr. Li Kar Fai, Peter
Ms. Lu He
Professor Wang Lijie

In accordance with Bye-law 110 of the Company's Bye-laws, Mr. Jin Langchuan, Mr. Sun David Lee, Ms. Chiu Kam Hing, Kathy and Mr. Ho Man Kin, Tony will retire as directors of the Company by rotation at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 113 of the Company's Bye-laws, Mr. Yip Toutou will retire as director of the Company by rotation at the forthcoming annual general meeting and he, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31st March 2010, the interests of the directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of HK$0.10 each of the Company

Name of director	Number of shares/underlying shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Kwok Wing Leung, Andy	6,942,320	401,533,775 *(Note 1)*	408,476,095	24.58
Jin Langchuan	10,000,000 *(Note 2)*	—	10,000,000	0.60
Yeung Ting Lap, Derek Emory	3,692,660 *(Note 3)*	—	3,692,660	0.22

Notes:

1. These shares are held by Billion Pacific Ventures Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Kwok Wing Leung, Andy.

2. The personal interests of Mr. Jin Langchuan represent an interest in underlying shares in respect of 10,000,000 share options granted by the Company entitling Mr. Jin Langchuan to subscribe for 10,000,000 shares of HK$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

3. Out of 3,692,660 shares, 3,192,660 shares were issued to Mr. Yeung Ting Lap, Derek Emory pursuant to the service agreement dated 31st January 2008 entered into between the Company and Mr. Yeung Ting Lap, Derek Emory, the details of which were disclosed in the circular of the Company dated 19th May 2008 (the "Circular").

Save as disclosed above, none of the directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st March 2010, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 31 to the consolidated financial statements.

2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.01 each (which was adjusted to HK$0.10 per share following the consolidation of the Company's shares on 20th December 2004) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

The 2003 Scheme was terminated when the 2007 Scheme as defined below came into effect on 28th September 2007. Upon the termination of the 2003 Scheme, no further options would be granted, but the options granted prior to such termination continue to be valid and exercisable in accordance with provisions of the 2003 Scheme.

2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007.

A summary of the principal terms of the 2007 Scheme is given below:

(I)	Purpose of the scheme	:	The purpose of the 2007 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.
(II)	Participants of the scheme	:	The directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.10 each in the capital of the Company.
(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this report	:	The number of shares available for issue under the 2007 Scheme was 90,323,472 shares representing approximately 5.41% of the issued share capital as at the date of this report.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme (Continued)

(IV)	Maximum entitlement of each participant under the scheme	: The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the 2007 Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. 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 in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.
(V)	The period within which the shares must be taken up under an option	: The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	: The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The 2007 Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	: Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option.
(VIII)	The basis of determining the exercise price	: The exercise price must not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
(IX)	The remaining life of the scheme	: The 2007 Scheme has the period of 10 years commencing from 28th September 2007.

SHARE OPTION SCHEMES *(Continued)*

Details of the share options granted under the 2003 Scheme and the 2007 Scheme are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options Balance at 01/04/2009	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2010
Jin Langchuan Director	2007	01/09/2008	01/09/2008 to 31/08/2018	0.301	10,000,000	—	—	—	10,000,000
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	20,280,000	—	(9,030,000)	—	11,250,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	1,050,000	—	(350,000)	—	700,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.270	2,000,000	—	—	—	2,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.210	5,442,320	—	—	—	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	18,060,000	—	—	—	18,060,000
					56,832,320	—	(9,380,000)	—	47,452,320

The weighted average closing price of the Company's shares immediately before the dates of the aforesaid exercises of the options was HK$0.430.

Save as disclosed above, no other options were outstanding, granted, exercised, cancelled or lapsed under the share option schemes of the Company at any time during the year.

Save as disclosed above, 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 during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option schemes disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO

Save as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31st March 2010, the following corporations, other than a director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
China Enterprise Capital Limited *(Note 1)*	Interests of a controlled corporation	Long position	14,812,133,600	891.26
CEC Resources and Minerals Holdings Limited *(Note 1)*	Interests of a controlled corporation and beneficial owner	Long position	14,812,133,600	891.26
Sino Minerals Capital Limited *(Note 1)*	Interests of a controlled corporation	Long position	14,656,602,500	881.91
Sino Mining Investment Limited *(Note 1)*	Interests of a controlled corporation	Long position	14,656,602,500	881.91
CEC Resources Limited *(Note 1)*	Beneficial Owner	Long position	14,656,602,500	881.91
Liu Rong, Polly *(Note 2)*	Interests of a controlled corporation	Long position	7,622,625,000	458.66
Wonder Champion Investment Limited *(Note 2)*	Beneficial Owner	Long position	7,622,625,000	458.66
Billion Pacific Ventures Limited *(Note 3)*	Beneficial Owner	Long position	401,533,775	24.16
Chan Yuk Lam	Beneficial Owner	Long position	155,468,900	9.35

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO *(Continued)*

Notes:

1. The shares and the underlying shares in the Company were held by CEC Resources Limited ("CEC"). CEC Resources and Minerals Holdings Limited, a wholly-owned subsidiary of China Enterprise Capital Limited, is interested in more than one-third of the issued share capital of CEC. Sino Minerals Capital Limited and Sino Mining Investment Limited are interested in more than one-third of the issued share capital of CEC. As a result of such relationship as described in this paragraph, China Enterprise Capital Limited, CEC Resources and Minerals Holdings Limited, Sino Minerals Capital Limited and Sino Mining Investment Limited are deemed to be interested in the shares and the underlying shares in the Company held by CEC. CEC is beneficially interested in the shares and the underlying shares in the Company in accordance with the terms of the agreements dated 25th January 2008 into which CEC and the Company entered, the details of which were disclosed in the Circular.

   CEC Resources and Minerals Holdings Limited, a wholly-owned subsidiary of China Enterprise Capital Limited, is also directly interested in the shares of the Company. As such, China Enterprise Capital Limited is deemed to be interested in the shares of the Company held by CEC Resources and Minerals Holdings Limited.

   The percentage of share capital is shown for illustration purpose only as pursuant to the terms of the convertible bond, the details of which were disclosed in the Circular. The holder of the convertible bond shall have the right to convert the convertible bond into shares of the Company provided that (i) any conversion of the convertible bond does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holder of the convertible bond which exercised the conversion rights attached to the convertible bond; and (ii) the public float of the shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at any one time in compliance with the Listing Rules.

2. The shares and the underlying shares in the Company were held by Wonder Champion Investment Limited ("Wonder Champion"). Ms. Liu Rong, Polly is interested in more than one-third of the issued share capital of Wonder Champion. As a result of such relationship as described in this paragraph, Ms. Liu Rong, Polly is deemed to be interested in the shares and the underlying shares in the Company held by Wonder Champion. Wonder Champion is beneficially interested in the shares and the underlying shares in the Company in accordance with the terms of the agreement dated 30th April 2009 and the supplemental agreements dated 26th May 2009, 1st September 2009, 1st March 2010 and 28th April 2010 into which Wonder Champion and the Company entered, the details of which were disclosed in the circular of the Company dated 25th June 2009 (the "2009 Circular") and the circular of the Company dated 20th May 2010 (the "2010 Circular").

   The percentage of share capital is shown for illustration purpose only as pursuant to the terms of the convertible bond, the details of which were disclosed in the 2009 Circular and the 2010 Circular. The holder of the convertible bond shall have the right to convert the convertible bond into shares of the Company provided that (i) any conversion of the convertible bond does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holder of the convertible bond which exercised the conversion rights attached to the convertible bond; and (ii) the public float of the shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at any one time in compliance with the Listing Rules.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO *(Continued)*

Notes: (Continued)

3. Billion Pacific Ventures Limited is an investment holding company incorporated in the British Virgin Islands, whose entire issued share capital is held by Mr. Kwok Wing Leung, Andy.

4. The percentage shown was the number of securities the relevant person was interested expressed as an approximate percentage of the number of issued shares as at 31st March 2010.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March 2010.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

On 31st January 2008, the Group entered into a service agreement with Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a director of the Company, pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under two acquisition agreements and for procuring the completion of the acquisitions in accordance with the agreements. The Company issued and allotted to Mr. Yeung 3,192,660 new shares in the Company during the year ended 31st March 2009 in accordance with the terms of the said service agreement. The maximum limit for the number of new shares to be issued shall be 50,000,000. The details of the said service agreement were disclosed in the Circular.

Except for Mr. Yeung's service agreement disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On 31st January 2008, the Group entered into a service agreement with Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a director of the Company, pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under two acquisition agreements and for procuring the completion of the acquisitions in accordance with the agreements. The Company issued and allotted to Mr. Yeung 3,192,660 new shares in the Company during the year ended 31st March 2009 in accordance with the terms of the said service agreement. The maximum limit for the number of new shares to be issued shall be 50,000,000. The details of the said service agreement were disclosed in the Circular.

CONNECTED TRANSACTIONS *(Continued)*

On 30th April 2009, the Company entered into a sale and purchase agreement (the "S&P Agreement") (as further amended and supplemented by supplemental agreements dated 26th May 2009, 1st September 2009, 1st March 2010 and 28th April 2010) with Wonder Champion, an independent third party which is not a party connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries, or any of their respective associates. Pursuant to the terms of the S&P Agreement, the Company shall acquire the entire issued share capital of Seawise Group Limited, a company incorporated under the laws of the British Virgin Islands, from Wonder Champion (the "Acquisition") and the total consideration payable of HK$1,524,525,000 shall be satisfied by way of issuing shares and convertible bonds of the Company. Being one of the conditions precedent to the completion of the Acquisition pursuant to the S&P Agreement, a reorganisation of Seawise Group Limited and its subsidiaries shall be completed prior to the completion of the Acquisition. Owing to the fact that, (i) the brother of Ms. Hu Suling, an executive director, the chairman and the chief executive officer of the Company, and (ii) the daughter-in-law of Mr. Li Ruihai, a non-executive director of the Company, had interests in the companies involved in the reorganisation, the Acquisition was treated as a connected transaction of the Company under Chapter 14A of the Listing Rules. The details of the S&P Agreement, the Acquisition and the reorganisation were disclosed in the 2009 Circular and the 2010 Circular. The Acquisition was approved by the independent shareholders of the Company at the special general meeting held on 9th June 2010. However, as certain condition precedent of the S&P Agreement could not be satisfied on 30th June 2010, or such later date as the parties to the S&P Agreement agreed, the S&P Agreement had ceased and terminated thereafter.

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

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

PRE-EMPTIVE RIGHTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of the respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees. Details of the schemes are set out in note 31 to the consolidated financial statements.

DONATION

During the year, the Group made charitable donation of HK$50,000 (2009: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Hu Suling
Chairman and Chief Executive Officer

Hong Kong, 19 July 2010

Deloitte.
德勤

TO THE SHAREHOLDERS OF ASIA COAL LIMITED
亞洲煤業有限公司
(FORMERLY KNOWN AS NUBRANDS GROUP HOLDINGS LIMITED
滙寶集團控股有限公司)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 97, which comprise the consolidated statement of financial position as at 31st March 2010, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, in accordance with Section 90 of the Bermuda Companies Act, 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 as to 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 judgment, 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 and true and fair presentation of the consolidated financial statements 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 31st March 2010 and of the Group's loss 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.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of HK$76,389,000 during the year ended 31st March 2010. The directors of the Company have identified a series of measures in order to improve the liquidity position of the Group. The validity of the going concern assumption on which the consolidated financial statements are prepared is highly dependent on the successful implementation of these measures. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19th July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2010

	NOTES	Continuing Operations 2010 HK$'000	Continuing Operations 2009 HK$'000	Discontinued Operations 2010 HK$'000	Discontinued Operations 2009 HK$'000	Total 2010 HK$'000	Total 2009 HK$'000
Revenue	8	**6,866**	9,819	**–**	6,592	**6,866**	16,411
Cost of sales		**(4,613)**	(5,508)	**–**	(4,253)	**(4,613)**	(9,761)
Gross profit		**2,253**	4,311	**–**	2,339	**2,253**	6,650
Other income	10	**160**	691	**–**	943	**160**	1,634
Selling and distribution expenses		**(7,640)**	(10,662)	**–**	(1,101)	**(7,640)**	(11,763)
Administrative expenses		**(52,643)**	(25,146)	**–**	(1,405)	**(52,643)**	(26,551)
Finance costs	11	**(17,719)**	(10,560)	**–**	(15)	**(17,719)**	(10,575)
Impairment loss on an intangible asset	19	**(800)**	(5,400)	**–**	–	**(800)**	(5,400)
(Loss) profit before tax		**(76,389)**	(46,766)	**–**	761	**(76,389)**	(46,005)
Taxation	12	**–**	390	**–**	–	**–**	390
Gain on disposal of subsidiaries	33	**–**	–	**–**	10,539	**–**	10,539
(Loss) profit for the year	13	**(76,389)**	(46,376)	**–**	11,300	**(76,389)**	(35,076)
Other comprehensive income (expense):							
Exchange differences arising on translation of foreign operations		**318**	(1,110)	**–**	–	**318**	(1,110)
Total comprehensive (expense) income for the year		**(76,071)**	(47,486)	**–**	11,300	**(76,071)**	(36,186)
Loss for the year attributable to:							
Owners of the Company						**(76,245)**	(35,076)
Minority interests						**(144)**	–
						(76,389)	(35,076)
Total comprehensive expense attributable to:							
Owners of the Company						**(75,928)**	(36,186)
Minority interests						**(143)**	–
						(76,071)	(36,186)
(LOSS) EARNINGS PER SHARE	16						
From continuing and discontinued operations							
Basic and diluted						**(4.61) HK cents**	(2.43) HK cents
From continuing operations							
Basic and diluted						**(4.61) HK cents**	(3.22) HK cents
From discontinued operations							
Basic and diluted						**N/A**	0.78 HK cents

Consolidated Statement of Financial Position

At 31st March 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**3,021**	815
Intangible asset	19	**–**	800
Exploration and evaluation assets	20	**383,828**	370,704
Prepayments	21	**16,278**	12,222
		403,127	384,541
Current assets			
Inventories – finished goods		**1,674**	1,806
Trade and other receivables	22	**5,678**	5,642
Pledged bank deposits	23	**1,719**	1,717
Bank balances and cash	23	**26,837**	102,039
		35,908	111,204
Current liabilities			
Trade and other payables and accrued charges	24	**7,761**	10,382
Amount due to a related party	25	**200**	200
Obligations under finance leases			
– due within one year	26	**48**	85
Secured bank overdrafts	27	**1,354**	–
		9,363	10,667
Net current assets		**26,545**	100,537
Total assets less current liabilities		**429,672**	485,078
Non-current liabilities			
Obligations under finance leases			
– due after one year	26	**101**	55
Convertible bond	29	**138,203**	120,505
		138,304	120,560
NET ASSETS		**291,368**	364,518

Consolidated Statement of Financial Position

At 31st March 2010

	NOTE	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**166,192**	165,254
Reserves		**124,931**	199,264
Equity attributable to owners of the Company		**291,123**	364,518
Minority interests		**245**	–
		291,368	364,518

The consolidated financial statements on pages 35 to 97 were approved and authorised for issue by the Board of Directors on 19th July 2010 and are signed on its behalf by:

Hu Suling
Director

Sun David Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2010

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April 2008	91,837	64,829	3,772	–	(154)	(126,707)	33,577	–	33,577
Loss for the year	–	–	–	–	–	(35,076)	(35,076)	–	(35,076)
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,110)	–	(1,110)	–	(1,110)
Total comprehensive expense for the year	–	–	–	–	(1,110)	(35,076)	(36,186)	–	(36,186)
Subtotal	91,837	64,829	3,772	–	(1,264)	(161,783)	(2,609)	–	(2,609)
Recognition of equity component of convertible bond	–	–	–	108,238	–	–	108,238	–	108,238
Recognition of share-based payment expense	–	–	1,377	–	–	–	1,377	–	1,377
Transfer on forfeiture of share options	–	–	(603)	–	–	603	–	–	–
Issue of shares upon exercise of share options	127	221	(81)	–	–	–	267	–	267
Issue of shares for cash	40,000	72,000	–	–	–	–	112,000	–	112,000
Issue of shares on acquisition of exploration and evaluation assets	33,290	113,185	–	–	–	–	146,475	–	146,475
Share issue expenses	–	(1,230)	–	–	–	–	(1,230)	–	(1,230)
At 31st March 2009	165,254	249,005	4,465	108,238	(1,264)	(161,180)	364,518	–	364,518
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(76,245)**	**(76,245)**	**(144)**	**(76,389)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**317**	**–**	**317**	**1**	**318**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**317**	**(76,245)**	**(75,928)**	**(143)**	**(76,071)**
Subtotal	**165,254**	**249,005**	**4,465**	**108,238**	**(947)**	**(237,425)**	**288,590**	**(143)**	**288,447**
Issue of shares upon exercise of share options	**938**	**2,306**	**(711)**	**–**	**–**	**–**	**2,533**	**–**	**2,533**
Capital contribution from a minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**388**	**388**
At 31st March 2010	**166,192**	**251,311**	**3,754**	**108,238**	**(947)**	**(237,425)**	**291,123**	**245**	**291,368**

Consolidated Statement of Cash Flows

For the year ended 31st March 2010

	NOTES	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(76,389)**	(46,005)
Adjustments for:			
Finance costs		**17,719**	10,575
Interest income		**(44)**	(742)
Equity-settled share-based payment expense		**–**	1,377
(Gain) loss on disposal of property, plant and equipment		**(11)**	274
Impairment loss recognised in respect of other receivables		**302**	78
Impairment loss on an intangible asset		**800**	5,400
Release of prepaid lease payments		**–**	55
Depreciation of investment properties and property, plant and equipment		**933**	752
Write-down of inventories		**227**	1,285
Operating cash flows before movements in working capital		**(56,463)**	(26,951)
Increase in inventories		**(95)**	(738)
Increase in trade and other receivables		**(338)**	(100)
(Decrease) increase in trade and other payables and accrued charges		**(3,426)**	4,524
Increase in amount due to a related party		**–**	200
Net cash used in operations		**(60,322)**	(23,065)
Interest income received		**44**	742
Hong Kong Profits Tax paid		**–**	(11)
NET CASH USED IN OPERATING ACTIVITIES		**(60,278)**	(22,334)
INVESTING ACTIVITIES			
Additions of exploration and evaluation assets		**(12,022)**	(5,576)
Increase in prepayments		**(4,056)**	(12,222)
Purchase of property, plant and equipment		**(3,022)**	(422)
Increase in pledged bank deposits		**(2)**	(28)
Proceeds from disposal of property, plant and equipment		**20**	6
Disposal of subsidiaries	33	**–**	17,378
Acquisition of subsidiaries	32	**–**	(1,811)
NET CASH USED IN INVESTING ACTIVITIES		**(19,082)**	(2,675)

Consolidated Statement of Cash Flows

For the year ended 31st March 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**2,533**	112,267
Increase (decrease) in bank overdrafts	**1,354**	(1,589)
Capital contribution from a minority shareholder of a subsidiary	**388**	–
Repayment of obligations under finance leases	**(102)**	(87)
Finance costs paid	**(21)**	(54)
Repayment to a related party	**–**	(1,808)
Share issue expenses paid	**–**	(1,230)
NET CASH FROM FINANCING ACTIVITIES	**4,152**	107,499
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(75,208)**	82,490
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**102,039**	19,288
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6**	261
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**26,837**	102,039

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK$76,389,000 for the year ended 31st March 2010. The consolidated financial statements have been prepared on a going concern basis as the directors of the Company believe that the following cost-saving measures can improve the Group's liquidity position.

(i) The management have made a detailed cost-saving plan to reduce administrative expenses including directors' emoluments and discretionary bonus.

(ii) The management would reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation.

Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 9) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July 2009.
2 Effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January 2010.
4 Effective for annual periods beginning on or after 1st February 2010.
5 Effective for annual periods beginning on or after 1st July 2010.
6 Effective for annual periods beginning on or after 1st January 2011.
7 Effective for annual periods beginning on or after 1st January 2013.
8 Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1st July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in the parent's ownership interest in a subsidiary.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective for annual reporting period beginning on or after 1st January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the financial performance and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from sales of goods are recognised when goods are delivered and title has been passed.

Revenue from the provision of maintenance service is recognised on a straight-line basis over the life of the maintenance contract.

Revenue from the provision of repair services is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimate residual value using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Inventories

Inventories, which represent trading stocks, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for inventories of health and beauty products.

Impairment on tangible assets (other than exploration and evaluation assets)

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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 the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 had no impairment loss been recognised for the asset in prior years.

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 expenditure 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 either other intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

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 indicate that the carrying amount may not be recoverable (the list is not exhaustive):

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets (Continued)

Impairment of exploration and evaluation assets *(Continued)*

- the period for which the entity 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 entity has decided to discontinue such activities in the specific area.

- 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 or by sale.

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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 is recognised in profit or loss, except when it relates to items that are 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 respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme contributions

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a related party, obligation under finance leases, secured bank overdrafts and convertible bond) are subsequently measured at amortised cost using the effective interest method.

Convertible bond

Convertible bond issued by the Group contains the liability, conversion option and early redemption option components. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. Early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component is not separated from the liability component.

On initial recognition, the fair value of the liability component (including the early redemption option which is closely related to the liability component) is determined using the prevailing market interest rate of similar non-convertible debts. For the convertible bond issued in connection to the acquisition of the exploration and evaluation assets, the conversion option component is recognised at fair value and included in equity (convertible bond equity reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Convertible bond (Continued)

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of their relative fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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 and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees or consultants

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options issued in exchange for services are measured at the fair values of the services received unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets. Corresponding adjustment is made to equity (share options reserve).

Equity instruments granted for acquisitions of assets

Equity instruments (shares and conversion options) issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the equity instruments granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account of the current economic environment, the directors of the Company have reviewed the development and exploration plans and confirmed that there is no indicator for impairment on the exploration and evaluation assets. As at 31st March 2010, the carrying amount of the exploration and evaluation assets was HK$383,828,000 (2009: HK$370,704,000).

Key sources of estimation uncertainty

The following are 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.

Estimated impairment on an intangible asset

Determining whether the intangible asset with indefinite useful life is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are more than expected, reversal of impairment loss may arise.

As at 31st March 2010, the carrying amount of the intangible asset net of accumulated impairment loss of HK$8,800,000 (2009: HK$8,000,000) is nil (2009: HK$800,000). Details of the recoverable amount calculation are disclosed in note 19.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31st March 2010, the carrying amount of trade and other receivables is HK$5,678,000 (2009: HK$5,642,000). Impairment loss for trade and other receivables of HK$302,000 (2009: HK$78,000) has been recognised during the year.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes advance from a related party, obligations under finance leases, bank overdrafts and convertible bond, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risk associated with each class of capital. Based on recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new debt or the redemption of existing debt, as well as the issue of new shares.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**29,419**	105,862
Financial liabilities		
Amortised cost	**143,064**	125,119
Obligations under finance leases	**149**	140
	143,213	125,259

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related party, obligations under finance leases, bank overdrafts and convertible bond. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group have sales and purchases transactions denominated in currencies other than the functional currency of the relevant group entities and the Group's foreign currency risks exposure mainly arises from fluctuations in the US dollars, Euro dollars and Renminbi against Hong Kong dollars (functional currency of the relevant group entities) as well as US dollars against Renminbi (functional currency of the relevant group entities). The Group is also exposed to currency risk in relation to inter-company loans to foreign operations within the Group where the denomination of the loans is in a currency other than the functional currency of the lender or the borrower. Exchange rate fluctuations and market trends have always been the concern of the Group. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. *Financial risk management objectives and policies (Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (excluding inter-company loans) and monetary liabilities as at 31st March 2010 and 2009 are as follows:

	2010	2009
	HK$'000	HK$'000
Assets		
Renminbi	**1**	102
US dollars	**3,183**	51
Liabilities		
Renminbi	**195**	243
US dollars	**92**	467
Euro dollars	**95**	93

Sensitivity analysis

The Group is mainly exposed to the currency of Renminbi and Euro dollars against Hong Kong dollars as well as US dollars against Renminbi. As Hong Kong dollars is pegged to US dollars, the effect of changes in US dollars against Hong Kong dollars is insignificant and is therefore not analysed.

The Group's sensitivity analysis is prepared by using a 5% (2009: 5%) increase and decrease in the functional currencies of the group entities against Renminbi, Euro dollars and US dollars. 5% (2009: 5%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including inter-company loans) and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. Where the relevant foreign currencies strengthen 5% (2009: 5%) against the functional currencies of the group entities, the Group's post-tax loss for the year would be decreased by approximately HK$149,000 (2009: increased by approximately HK$12,000). For 5% weakening of the relevant foreign currencies against the functional currencies of the group entities, there would be an equal and opposite impact on the post-tax loss for the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. *Financial risk management objectives and policies (Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group's bank balances and bank overdrafts (see note 27 for details) carry floating-rate interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

The Group is exposed to fair value interest rate risk in relation to the fixed-rate pledged bank deposits, finance leases and the liability component of convertible bond (see notes 23, 26 and 29 respectively for details).

The Group currently do not have a hedging policy on interest rate risk. However, management closely monitors interest rate exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

No sensitivity analysis of interest rate risk is presented as the directors consider the Group's exposure of the bank balances and bank overdrafts to interest rate risk is not significant.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31st March 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk as 89% (2009: 99%) of the total trade receivables was due from the Group's largest customer within the health and beauty products operating segment. The directors of the Company considered that the receivable balances from the largest customer do not represent a significant credit risk based on past collection experience.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings from time to time.

The directors of the Company are taking active steps to improve the liquidity position of the Group, details of which are set out in note 2.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand	3 months or less	More than 3 months but within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2010							
Trade and other payables	–	2,247	470	590	–	3,307	3,307
Amount due to a related party	–	200	–	–	–	200	200
Obligations under finance leases	6.75	–	30	26	112	168	149
Bank overdrafts	5.75	1,354	–	–	–	1,354	1,354
Convertible bond (note)	–	–	–	–	218,222	218,222	138,203
		3,801	500	616	218,334	223,251	143,213
At 31st March 2009							
Trade and other payables	–	2,269	2,145	–	–	4,414	4,414
Amount due to a related party	–	200	–	–	–	200	200
Obligations under finance leases	10.03	–	24	72	65	161	140
Convertible bond (note)	–	–	–	–	218,222	218,222	120,505
		2,469	2,169	72	218,287	222,997	125,259

Note: The undiscounted cash flow of the convertible bond represents the redemption amount at maturity date on the assumption that there would be no conversion prior to maturity.

7c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

8. REVENUE

Revenue represents the amounts received and receivable for goods sold, net of discounts, to outside customers during the year.

	2010 **HK$'000**	2009 HK$'000
Continuing operations		
Sales of health and beauty products	**6,866**	9,819
Discontinued operations		
Sales of medical equipment	**–**	6,592
	6,866	16,411

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and segment assets and liabilities.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, the Chief Executive Officer of the Group, for the purposes of resource allocation and performance assessment. The reports are analysed based on categories of business. Three operating segments were presented:

1) Health and beauty products
2) Coal mining
3) Medical equipment (Note)

Note: The segment was disposed of on 2nd July 2008, details of the discontinued operations are set out in note 17.

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	Continuing operations						Discontinued operations		Total	
	Health and beauty products		Coal mining		Total		Medical equipment			
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External sales	**6,866**	9,819	**–**	–	**6,866**	9,819	**–**	6,592	**6,866**	16,411
Segment (loss) profit	**(11,023)**	(14,712)	**(4,406)**	(3,326)	**(15,429)**	(18,038)	**–**	602	**(15,429)**	(17,436)
Corporate income										
— Interest income					**44**	659	**–**	83	**44**	742
— Rental income					**–**	–	**–**	91	**–**	91
Central administration costs					**(43,285)**	(18,827)	**–**	–	**(43,285)**	(18,827)
Finance costs					**(17,719)**	(10,560)	**–**	(15)	**(17,719)**	(10,575)
Gain on disposal of subsidiaries					**–**	–	**–**	10,539	**–**	10,539
(Loss) profit before tax					**(76,389)**	(46,766)	**–**	11,300	**(76,389)**	(35,466)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by each segment without allocation of corporate income, central administration costs, finance costs and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2010	2009
	HK$'000	HK$'000
Segment assets		
Health and beauty products	**5,930**	5,754
Coal mining	**402,659**	383,597
Total segment assets	**408,589**	389,351
Other unallocated assets	**30,446**	106,394
Consolidated assets	**439,035**	495,745

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

	2010	2009
	HK$'000	HK$'000
Segment liabilities		
Health and beauty products	**4,185**	4,896
Coal mining	**322**	3,667
Total segment liabilities	**4,507**	8,563
Other unallocated liabilities	**143,160**	122,664
Consolidated liabilities	**147,667**	131,227

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than pledge bank deposits, bank balances and cash and head office assets; and
- all liabilities are allocated to reportable segments other than bank overdrafts, convertible bond and head office liabilities.

Other segment information

	Continuing operations								Discontinued operations		Total	
	Health and beauty products		Coal mining		Unallocated		Total		Medical equipment			
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:												
Capital expenditure	**2,191**	79	**12,537**	372,308	**427**	159	**15,155**	372,546	**–**	3	**15,155**	372,549
Depreciation	**435**	187	**167**	17	**331**	478	**933**	682	**–**	70	**933**	752
Release of prepaid lease payments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	55	**–**	55
Impairment loss recognised in respect of other receivables	**302**	78	**–**	–	**–**	–	**302**	78	**–**	–	**302**	78
Impairment loss on an intangible asset	**800**	5,400	**–**	–	**–**	–	**800**	5,400	**–**	–	**800**	5,400
(Gain) loss on disposal of property, plant and equipment	**2**	274	**–**	–	**(13)**	–	**(11)**	274	**–**	–	**(11)**	274
Write-down of inventories	**227**	1,285	**–**	–	**–**	–	**227**	1,285	**–**	–	**227**	1,285

9. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Mongolia.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,866**	9,589	**2,450**	1,407
PRC	**–**	230	**74**	–
Mongolia	**–**	–	**400,603**	383,134
	6,866	9,819	**403,127**	384,541

Information about major customer

Included in revenue arising from sales of health and beauty products of HK$6,866,000 (2009: HK$9,819,000) are revenue of approximately HK$6,006,000 (2009: HK$9,076,000) which arose from sales to the Group's largest customer.

10. OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income	**44**	659	**–**	83	**44**	742
Rental income	**–**	–	**–**	91	**–**	91
Repair and maintenance income	**–**	–	**–**	769	**–**	769
Others	**116**	32	**–**	–	**116**	32
	160	691	**–**	943	**160**	1,634

11. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on						
— bank overdrafts	**9**	26	**–**	15	**9**	41
— obligations under finance leases	**12**	13	**–**	–	**12**	13
Effective interest expense on convertible bond	**17,698**	10,521	**–**	–	**17,698**	10,521
	17,719	10,560	**–**	15	**17,719**	10,575

12. TAXATION

	Continuing operations and consolidated total	
	2010	2009
	HK$'000	HK$'000
Deferred tax (Note 28):		
Current year	**–**	(368)
Attributable to a change in tax rate	**–**	(22)
Tax credit for the year	**–**	(390)

No provision for Hong Kong Profits Tax has been made on the continuing operations as the Group incurred tax losses for both years.

No tax was payable on the profit from discontinued operations for the year ended 31st March 2009 arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation has been made for the Group's subsidiaries operating outside Hong Kong (i.e. PRC and Mongolia) as there was no assessable profit.

12. TAXATION *(Continued)*

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
(Loss) profit before tax:		
from continuing operations	**(76,389)**	(46,766)
from discontinued operations	**–**	761
Loss before tax	**(76,389)**	(46,005)
Tax at Hong Kong Profits Tax rate of 16.5%	**(12,604)**	(7,591)
Tax effect of expenses not deductible for tax purpose	**5,475**	3,567
Tax effect of income not taxable for tax purpose	**(142)**	(113)
Tax effect of tax losses not recognised	**7,522**	3,944
Tax effect of utilisation of tax losses previously not recognised	**–**	(125)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(251)**	(50)
Decrease in opening deferred tax liabilities resulting from a change of tax rate	**–**	(22)
Tax credit for the year	**–**	(390)

Details of deferred taxation are set out in note 28.

13. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**29,478**	15,281	**–**	1,308	**29,478**	16,589
Retirement benefits scheme contributions	**310**	268	**–**	39	**310**	307
Equity-settled share-based payment expense (Note 31)	**–**	1,377	**–**	–	**–**	1,377
Total employee benefits expenses	**29,788**	16,926	**–**	1,347	**29,788**	18,273
Auditors' remuneration – Current year	**1,123**	1,242	**–**	–	**1,123**	1,242
Cost of inventories recognised as an expense	**2,833**	4,014	**–**	4,253	**2,833**	8,267
Write-down of inventories	**227**	1,285	**–**	–	**227**	1,285
Depreciation of investment properties and property, plant and equipment	**933**	682	**–**	70	**933**	752
(Gain) loss on disposal of property, plant and equipment	**(11)**	274	**–**	–	**(11)**	274
Net exchange (gain) loss	**(1,364)**	1,233	**–**	5	**(1,364)**	1,238
Operating lease rentals in respect of rented premises	**5,857**	2,453	**–**	–	**5,857**	2,453
Release of prepaid lease payments	**–**	–	**–**	55	**–**	55
Impairment loss recognised in respect of other receivables	**302**	78	**–**	–	**302**	78

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2009: Nil).

15. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the 14 (2009: 13) directors were as follows:

2010

	Fee HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Hu Suling	–	2,847	–	–	2,847
Kwok Wing Leung, Andy	–	11,697	12	–	11,709
Jin Langchuan	–	1,424	–	–	1,424
Sun David Lee	–	880	–	–	880
Tse Michael Nam (Note 1)	–	–	–	–	–
Non-executive directors					
Yeung Ting Lap, Derek Emory	–	–	–	–	–
Nie Fei	–	–	–	–	–
Li Ruihai	–	–	–	–	–
Yip Toutou (Note 2)	–	–	–	–	–
Independent non-executive directors					
Chiu Kam Hing, Kathy	60	–	–	–	60
Ho Man Kin, Tony	60	–	–	–	60
Li Kar Fai, Peter	120	–	–	–	120
Lu He	60	–	–	–	60
Wang Lijie	180	–	–	–	180
	480	16,848	12	–	17,340

Notes:

1. Mr. Tse resigned as a director of the Company on 11th April 2009.

2. Mr. Yip was appointed as a director of the Company on 1st October 2009.

15. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

2009

	Fee HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Hu Suling	–	117	–	–	117
Kwok Wing Leung, Andy	–	3,434	12	–	3,446
Jin Langchuan	–	1,821	–	999	2,820
Sun David Lee	–	–	–	–	–
Tse Michael Nam	–	400	–	–	400
Non-executive directors					
Yeung Ting Lap,	–	250	–	–	250
Derek Emory	–	–	–	–	–
Nie Fei	–	–	–	–	–
Li Ruihai	–	–	–	–	–
Independent non-executive directors					
Chiu Kam Hing, Kathy	60	100	–	–	160
Ho Man Kin, Tony	60	100	–	–	160
Li Kar Fai, Peter	120	100	–	–	220
Lu He	37	–	–	–	37
Wang Lijie	2	–	–	–	2
	279	6,322	12	999	7,612

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2009: two directors), details of whose emoluments are set out in (a) above.

The emoluments of the remaining two (2009: three) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**3,332**	2,629
Retirement benefits scheme contributions	**37**	66
Equity-settled share-based payment expense	**–**	–
	3,369	2,695

15. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
Not exceeding HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	–
	2	3

During the years ended 31st March 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. During the year ended 31st March 2010, emoluments amounting to HK$390,000 (2009: nil) was waived by the directors.

(c) Remuneration of key management

The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	**17,328**	10,017
Post-employment benefit	**12**	78
Share-based payment	**–**	1,312
	17,340	11,407

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

16. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010 **HK$'000**	2009 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(76,245)**	(35,076)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,654,059,019**	1,440,796,672

The calculation of diluted loss per share for the year ended 31st March 2010 and 2009 has not assumed the conversion of the Company's convertible bond and exercise of the share options as these potential ordinary shares are anti-dilutive during the respective financial years.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2010 **HK$'000**	2009 HK$'000
Loss for the year attributable to owners of the Company	**(76,245)**	(35,076)
Less: Profit for the year from discontinued operations	**–**	11,300
Loss for the purposes of basic and diluted loss per share from continuing operations	**(76,245)**	(46,376)

The number of shares used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

16. (LOSS) EARNINGS PER SHARE *(Continued)*

From discontinued operations

Basic and diluted earnings per share from the discontinued operations was 0.78 HK cents per share for the year ended 31st March 2009, based on the profit for the year from the discontinued operations of HK$11,300,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

17. DISCONTINUED OPERATIONS

On 31st January 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Wealthy Bridge Group Limited ("Wealthy Bridge") (together with its subsidiaries, the "Wealthy Bridge Group"), which carried out all of the Group's business of sale of medical equipment. The disposal was completed on 2nd July 2008, on which the control of Wealthy Bridge Group was passed to the acquirer.

The profit for the year from the discontinued operations is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
Profit from sale of medical equipment operation for the year	–	761
Profit on disposal of the business of sale of medical equipment (note 33)	–	10,539
	–	11,300

The cash flows of the discontinued operations contributed to the Group were as follows:

	2010 **HK$'000**	2009 HK$'000
Net cash used in operating activities	–	(538)
Net cash from investing activities	–	17,374
Net cash used in financing activities	–	(15)
	–	16,821

The carrying amounts of the assets and liabilities of the medical equipment business at the date of disposal are disclosed in note 33.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST						
At 1st April 2008	2,954	2,503	2,635	1,504	–	9,596
Exchange realignment	–	7	3	2	–	12
Additions	–	142	–	321	–	463
Disposals	–	(267)	(95)	(66)	–	(428)
Disposal of subsidiaries	(2,954)	(1,634)	(2,019)	(927)	–	(7,534)
At 31st March 2009	–	751	524	834	–	2,109
Exchange realignment	**–**	**6**	**–**	**19**	**–**	**25**
Additions	**–**	**436**	**1,868**	**423**	**406**	**3,133**
Disposals	**–**	**(102)**	**–**	**(17)**	**–**	**(119)**
At 31st March 2010	**–**	**1,091**	**2,392**	**1,259**	**406**	**5,148**
DEPRECIATION						
At 1st April 2008	1,068	1,835	2,269	948	–	6,120
Exchange realignment	–	1	2	(2)	–	1
Provided for the year	15	184	290	244	–	733
Eliminated on disposals	–	(81)	(57)	(10)	–	(148)
Eliminated on disposal of subsidiaries	(1,083)	(1,534)	(1,999)	(796)	–	(5,412)
At 31st March 2009	–	405	505	384	–	1,294
Exchange realignment	**–**	**1**	**–**	**5**	**4**	**10**
Provided for the year	**–**	**162**	**361**	**333**	**77**	**933**
Eliminated on disposals	**–**	**(97)**	**–**	**(13)**	**–**	**(110)**
At 31st March 2010	**–**	**471**	**866**	**709**	**81**	**2,127**
CARRYING VALUES						
At 31st March 2010	**–**	**620**	**1,526**	**550**	**325**	**3,021**
At 31st March 2009	–	346	19	450	–	815

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	50 years or over the period of the relevant land lease, if shorter
Furniture, fixtures and office equipment	15%-33.3%
Leasehold improvements	33.3% or over the period of the relevant land lease, if shorter
Computer equipment	25%-33.3%
Motor vehicles	20%

At 31st March 2010, the carrying value of the Group's property, plant and equipment included an amount of approximately HK$178,000 (2009: HK$147,000) in respect of assets held under finance leases.

19. INTANGIBLE ASSET

	Trademark HK$'000
COST	
At 1st April 2008, 31st March 2009 and 31st March 2010	**8,800**
IMPAIRMENT	
At 1st April 2008	2,600
Impairment loss recognised in the year	5,400
At 31st March 2009	8,000
Impairment loss recognised in the year	**800**
At 31st March 2010	**8,800**
CARRYING VALUES	
At 31st March 2010	**–**
At 31st March 2009	800

19. INTANGIBLE ASSET *(Continued)*

The trademark has a registered legal life of 10 years in certain countries and is renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purposes of impairment testing, the trademark is allocated to the sales of "LaVie" branded beauty products, an individual cash generating unit ("CGU"), under the health and beauty products segment.

During the year ended 31st March 2010, the Group recognised an impairment loss of HK$800,000 (2009: HK$5,400,000) in relation to the trademark.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2009: 5-year period) using a growth rate based on the industry growth forecasts and the CGU's past performances, and a discount rate of 17.6% (2009: 17.6%) per annum. The cash flows beyond the 5-year period (2009: 5-year period) are extrapolated using a 1% (2009: 1%) growth basis. Another key assumption for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

20. EXPLORATION AND EVALUATION ASSETS

The following movement discloses the cost incurred on exploration and evaluation assets during the years:

	Notes	HK$'000
Consideration paid in July 2008	(i)	363,292
Other direct costs incurred on acquisition	(i)	3,218
		366,510
Additions of mineral exploration licences during the year	(ii)	4,834
Additions of exploration and evaluation works during the year	(iii)	742
Exchange realignment		(1,382)
At 31st March 2009		370,704
Additions of exploration and evaluation works during the year	**(iii)**	**12,022**
Exchange realignment		**1,102**
At 31st March 2010		**383,828**

Notes:

(i) On 25th January 2008, the Company as the purchaser, CEC Resources Limited ("CEC Resources") as the vendor, and China Enterprise Capital Limited as the guarantor entered into two sale and purchase agreements pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Giant Field Group Limited ("GF") and Power Field Holdings Limited ("PF"). Both CEC Resources and China Enterprise Capital Limited were independent third parties of the Company.

According to the abovementioned sale and purchase agreements, SMI LLC ("SMI") and Sinotum Mongolia LLC ("Sinotum"), companies incorporated in Mongolia, would become wholly-owned subsidiaries of GF and PF respectively. The principal assets of SMI and Sinotum are all the mineral mining rights of 30 years in respect of the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia and the mineral exploration rights of 3 years in respect of the Erdenetsogt coal deposit in the Dornogobi province of Mongolia respectively.

The GF acquisition was completed in late July 2008 and the Company settled the initial consideration for the GF acquisition amounting to approximately HK$363,292,000 to CEC Resources by the issuance of: (1) 329,705,093 new ordinary shares of the Company (representing 19.99% of the total issued share capital of the Company at the completion date of GF acquisition as enlarged by the issuance of the consideration shares); and (2) zero coupon convertible bond in the principal amount of HK$218,221,675 with a 5-year maturity. Details of the GF acquisition are set out in note 32 and details of the convertible bond and the consideration shares issued are set out in notes 29 and 30(iv) respectively.

20. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion and shall be determined by reference to the technical assessment prepared by a technical adviser (the "SMI Technical Assessment"). The Company shall pay to CEC Resources an amount equal to the reported reserves (in tonnage) multiplied by the price of RMB4.00 per tonne (the "Excess Amount"). The reported reserves are the aggregate amount (in tonnage) of the proved coal ore reserves and the probable coal ore reserves which, pursuant to the SMI Technical Assessment, exceed the reserves reference amount of 69.6 million tonnes. The Company shall not be required to pay CEC Resources for any reported reserves, which, together with the reserves reference amount, is in excess of 190 million tonnes. The total consideration for the GF acquisition can therefore be increased up to the maximum of RMB760 million and the remaining consideration is to be settled by issuance of convertible bond.

The SMI Technical Assessment has not yet completed up to the date these consolidated financial statements were authorized for issue. Therefore, no adjustment to acquisition consideration has been made.

(ii) In December 2008, the Group acquired from an independent third party the mineral exploration licences of 3 years in respect of the coal deposits adjacent to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia, together with the plans, reports and other information with respect to the prospecting and exploration activities of the relevant licences at a consideration of approximately HK$4,834,000.

(iii) During the year ended 31st March 2010, the Group had incurred an amount of HK$12,022,000 (2009: HK$742,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including drilling expenses, logging expenses, lab test fee, licence fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity during the year.

21. PREPAYMENTS

Pursuant to the PF sale and purchase agreement as explained in note 20(i), one of the conditions precedent to the PF acquisition is the issue of the Sinotum resources technical assessment by a technical adviser ("Sinotum Resources Technical Assessment") showing that the indicated coal ore resources held by Sinotum ("Sinotum Resources") is not less than 50 million tonnes. On completion of the PF acquisition, the Company shall also appoint a technical adviser to perform technical assessment (the "Sinotum Reserves Technical Assessment") to assess the proved coal ore reserves and the probable coal ore reserves held by Sinotum ("Sinotum Reserves"). The total consideration for the PF acquisition shall be determined based on the Sinotum Resources and Sinotum Reserves by reference to the Sinotum Resources Technical Assessment and Sinotum Reserves Technical Assessment respectively, and can be increased up to the maximum of RMB3,600 million. The consideration is to be settled by issuance of convertible bond.

As at 31st March 2010, all the conditions precedent were fulfilled. However, up to the date these consolidated financial statements were authorised for issue, the PF acquisition has not yet been completed as the Company is reviewing the Sinotum Resources Technical Assessment and the parties to the PF agreement are in the course of negotiating with each other on alternatives regarding the PF acquisition under the PF agreement. As such, without prejudice to the rights and obligations of the parties to the PF agreement, the parties agree that completion of the PF agreement and the PF acquisition shall be withheld pending outcome of the negotiation.

As at 31st March 2010, the payments made to technical advisers for conducting the technical assessments amounted to approximately HK$14,983,000 (2009: HK$9,785,000).

22. TRADE AND OTHER RECEIVABLES

	2010 **HK$'000**	2009 HK$'000
Trade receivables	**225**	1,715
Other receivables, deposits and prepayments (Note)	**5,453**	3,927
	5,678	5,642

Note: As at 31st March, 2009, included in other receivables, deposits and prepayments is an amount of approximately HK$293,000 which carries interest at Hong Kong prime interest rate (as quoted by a bank) plus 1.5% per annum. The effective interest rate was 6.75% per annum. The amount is fully written off in the current year as the management considers that the amount is unlikely to be recovered.

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2010 **HK$'000**	2009 HK$'000
0 to 90 days	**218**	1,701
91 to 180 days	**–**	7
181 to 365 days	**–**	–
Over 365 days	**7**	7
	225	1,715

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. Majority of the trade receivables that are neither past due nor impaired have no default payment history. As at 31st March 2010, management assessed and considered the Group's outstanding trade receivables of good credit quality.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$7,000 (2009: HK$22,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits carry fixed interest rate which ranged from 0.01% to 0.39% (2009: 0.39% to 2.74%) per annum. These deposits have been pledged to secure bank overdrafts and short-term general facilities and they are therefore classified as current assets.

Bank balances

Bank balances carry interest at market rates ranged from 0.001% to 0.4% (2009: 0.001% to 3.1%) per annum.

The amount of the Group's bank balances and cash denominated other than the functional currencies of the relevant group entities are set out below:

	Renminbi HK$'000	**US dollars** HK$'000	**Total** HK$'000
At 31st March 2010	**1**	**3,183**	**3,184**
At 31st March 2009	102	51	153

24. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade payables by age presented based on the invoice date at the end of the reporting period:

	2010 **HK$'000**	2009 HK$'000
Trade payables:		
0 to 90 days	**1,503**	3,914
91 to 180 days	**1,235**	130
181 to 365 days	**54**	–
Over 365 days	**464**	290
	3,256	4,334
Deposits received from customers	**102**	57
Accrued charges	**4,352**	5,911
Other payables	**51**	80
	7,761	10,382

24. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES *(Continued)*

The amount of the Group's trade and other payables denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	Renminbi HK$'000	US dollars HK$'000	Euro dollars HK$'000	Total HK$'000
As at 31st March 2010	**195**	**92**	**95**	**382**
As at 31st March 2009	243	467	93	803

25. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party represented an amount due to Mr. Kwok Wing Leung, Andy, a director of the Company, which is unsecured, interest-free and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Amounts payable under finance leases:				
Within one year	**56**	96	**48**	85
In more than one year but not more than two years	**36**	32	**30**	28
In more than two years but not more than five years	**76**	33	**71**	27
	168	161	**149**	140
Less: Future finance charges	**(19)**	(21)	**–**	–
Present value of lease obligations	**149**	140	**149**	140
Less: Amounts due within one year shown under current liabilities			**(48)**	(85)
Amounts due after one year			**101**	55

26. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

The lease terms ranged from three to five years. The effective borrowing rates ranged from 3.8% to 13.9% (2009: 8.5% to 13.9%) per annum. Interest rates underlying all obligations under finance leases are fixed at respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The obligations under finance leases are secured by the lessors' charge over the leased assets.

27. SECURED BANK OVERDRAFTS

The bank overdrafts carried interest at prime rate (as quoted by the bank) plus 0.5% per annum. The effective interest rate was 5.75% (2009: 5.75% to 6%) per annum.

28. DEFERRED TAXATION

The major deferred tax liabilities (asset) recognised and movements thereon during the current and prior years are summarised below:

	Fair value of trademark HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April 2008	390	658	(658)	390
Effect of change in tax rate	(22)	(38)	38	(22)
(Credit) charge for the year	(368)	(59)	59	(368)
Disposal of subsidiaries	–	(552)	552	–
At 31st March 2009 and 31st March 2010	**–**	**9**	**(9)**	**–**

At the end of the reporting period, the Group has unused tax losses of approximately HK$95 million (2009: HK$53 million) available for offset against future profits. A deferred tax asset amounting to approximately HK$9,000 (2009: HK$9,000) in respect of tax loss amounting to approximately HK$55,000 (2009: HK$55,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams. At 31st March 2010, included in unrecognised tax losses are losses of HK$6,645,000 (2009: HK$6,253,000) that will expire in 2010 to 2014 (2009: 2010 to 2013), other losses may be carried forward indefinitely.

The Group had no other significant unprovided deferred tax liability at the end of the reporting period.

29. CONVERTIBLE BOND

Upon completion of GF acquisition in July 2008, the Company issued HK$218,221,675 unsecured zero coupon convertible bond with a maturity of five years from the issue date at an initial conversion price of HK$0.25 per share (subject to anti-dilutive adjustments) and the consideration shares to CEC Resources as consideration for the GF acquisition. CEC Resources became a shareholder of the Company thereafter. Details are set out in note 20.

The holders of the convertible bond have the right to convert the whole or any part of the outstanding principal amount of the convertible bond into shares of HK$0.10 each in the share capital of the Company at any time during the period commencing from the date immediately following the date of issue of the convertible bond up to the day immediately prior to and exclusive of the maturity date at the conversion price of HK$0.25 per share. The bond may not be converted to the extent that, following such conversion, the bond holder would directly or indirectly control or be interested in an aggregate of 30% or more of the issued shares as enlarged by the issue of the conversion shares (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer).

The holders of the convertible bond have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bond at any time during the period commencing from the next day following the third anniversary of the issue of the convertible bond and ending on the date immediately before the maturity date.

Subject to the aforesaid, the Company has the right to either require the holders of the convertible bond to mandatorily convert any convertible bond remaining outstanding at maturity date into conversion shares at the then applicable conversion price or redeem any convertible bond remaining outstanding at maturity date at its nominal value. If the closing price of the shares for the 30 consecutive trading days at any time prior to (but excluding) the business day prior to the maturity date represents a price which is equal to or higher than 150% of the conversion price, the Company will have the right (but not obligation) to require the holder of the convertible bond to convert the outstanding convertible bond into shares.

The convertible bond contains two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible bond equity reserve". The liability element is classified as non-current liabilities and carried at amortised cost using the effective interest method. The effective interest rate of the convertible bond is 13.78% per annum.

29. CONVERTIBLE BOND *(Continued)*

The movement of the liability component of the convertible bond for the year is set out below:

	HK$'000
Liability component at date of issue	109,984
Effective interest expense charged for the year	10,521
At 31st March 2009	120,505
Effective interest expense charged for the year	**17,698**
At 31st March 2010	**138,203**

There was no conversion of convertible bond since its issuance.

The fair value of the equity component of the convertible bond on initial recognition is determined by using the Binomial model. The inputs into the model were as follows:

Share price	HK$0.44
Conversion price	HK$0.25
Expected volatility	79.97%
Option life	5 years
Risk-free rate	3.3%
Expected dividend yield	Nil

30. SHARE CAPITAL

	Notes	Authorised Number of shares	Authorised Nominal value HK$'000	Issued and fully paid Number of shares	Issued and fully paid Nominal value HK$'000
Ordinary shares of HK$0.1 each:					
At 1st April 2008		2,000,000,000	200,000	918,373,047	91,837
Additions	(i)	28,000,000,000	2,800,000	–	–
Issue of shares					
– Exercise of share options	(ii)	–	–	1,272,000	127
– Placing of new shares	(iii)	–	–	400,000,000	40,000
– Acquisition of assets	(iv)	–	–	332,897,753	33,290
At 31st March 2009		30,000,000,000	3,000,000	1,652,542,800	165,254
Issue of shares upon exercise of share options	**(v)**	**–**	**–**	**9,380,000**	**938**
At 31st March 2010		**30,000,000,000**	**3,000,000**	**1,661,922,800**	**166,192**

Notes:

(i) Pursuant to a resolution passed in a special general meeting held on 6th June 2008, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 ordinary shares of HK$0.10 each to HK$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK$0.10 per share by the creation of 28,000,000,000 new shares at HK$0.10 per share. The new shares rank pari passu with all the other shares in issue in all respects.

(ii) During the year ended 31st March 2009, share options to subscribe for 1,272,000 ordinary shares at exercise price of HK$0.21 per share were exercised. The new shares rank pari passu with all the other shares in issue in all respects.

(iii) Placing of 400,000,000 new ordinary shares of HK$0.10 each to not less than six independent placees at the placing price of HK$0.28 per share was completed on 4th July 2008. The placing price represented a premium of approximately 3.7% to the closing price of HK$0.27 per share as quoted on the Stock Exchange on 8th May 2008 (the last full trading day before the date of the share placing agreement). The net proceeds of approximately HK$110.8 million after deducting issue expense of HK$1,230,000 would be used for the business development in relation to the GF and PF acquisitions.

30. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(iv) In July 2008, 329,705,093 new ordinary shares of the Company were issued to CEC Resources at HK$0.44 each, being the closing market price at the completion date of the GF acquisition. The new shares rank pari passu with all the other shares in issue in all respects.

On 31st January 2008, the Group and Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a director of the Company, entered into a service agreement pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under the acquisition agreements as set out in note 20 and for procuring the completion of the acquisitions in accordance with the agreements.

As set out in the service agreement, the Company would issue and allot to Mr. Yeung new shares based on certain specific formula upon occurrence of each of the events: (i) the completion of the GF acquisition; (ii) the payment by the Company the Excess Amount to CEC Resources in accordance with the GF sale and purchase agreement; and (iii) the payment by the Company in respect of the consideration of the PF acquisition.

During the year ended 31st March 2009, 3,192,660 ordinary shares of the Company were issued and allotted to Mr. Yeung upon the completion of GF acquisition. The new shares rank pari passu with all the other shares in issue in all respects.

(v) During the year ended 31st March 2010, 9,380,000 ordinary shares of HK$0.1 each of the Company were issued upon the exercise of 9,380,000 share options at an exercise price of HK$0.27 per share. The new shares rank pari passu with all the other shares in issue in all respects.

31. SHARE-BASED PAYMENT TRANSACTIONS

(i) Share options of the Company

Details of the share option schemes adopted by the Company are as follows:

(a) 2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.01 each (which was adjusted to HK$0.10 per share following the consolidation of the Company's shares on 20th December 2004) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(i) Share options of the Company (Continued)

(b) 2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007. Under the 2007 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.10 each in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

The following table discloses movements in the Company's share options during the year ended 31st March 2010:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2009	Exercised during the year	At 31st March 2010
Director	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	10,000,000	–	10,000,000
Employees	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	20,280,000	(9,030,000)	11,250,000
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	1,050,000	(350,000)	700,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	–	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	18,060,000
						56,832,320	(9,380,000)	47,452,320
Exercisable at end of the year								47,452,320
						HK$	HK$	HK$
Weighted average exercise price						0.270	0.270	0.270

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(i) Share options of the Company (Continued)

The following table discloses movements in the Company's share options during the year ended 31st March 2009:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31st March 2009
Director	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	–	10,000,000	–	–	10,000,000
Employees	2003	21st August 2006	21st August 2006 to 20th August 2007	21st August 2007 to 21st August 2016	0.210	2,272,000	–	(1,272,000)	(1,000,000)	–
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	25,230,000	–	–	(4,950,000)	20,280,000
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	2,850,000	–	–	(1,800,000)	1,050,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	–	2,000,000	–	–	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	–	–	–	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	–	–	18,060,000
						53,854,320	12,000,000	(1,272,000)	(7,750,000)	56,832,320
Exercisable at end of the year										56,832,320
						HK$	HK$	HK$	HK$	HK$
Weighted average exercise price						0.261	0.296	0.210	0.262	0.270

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.425 (2009: HK$0.360).

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(i) Share options of the Company (Continued)

During the year ended 31st March 2009, 10,000,000 options and 2,000,000 options with an exercise price of HK$0.301 per share and HK$0.27 per share were granted on 1st September 2008 and 3rd March 2009 respectively. The estimated fair value of the options granted on 1st September 2008 and 3rd March 2009 were approximately HK$999,000 and HK$203,000 respectively. These fair value were calculated using the Black-Scholes Option Pricing Model. The inputs into the model are as follows:

Share options granted during the year ended 31st March 2009:

Grant date	1st September 2008	3rd March 2009
No. of options granted	10,000,000	2,000,000
Share price as at the date of grant	HK$0.29	HK$0.24
Exercise price	HK$0.301	HK$0.27
Expected volatility	91.888%	98.203%
Expected life	1 year	1.5 years
Risk-free rate	1.640%	0.566%
Expected dividend yield	Nil	Nil

Expected volatility of the options granted on 1st September 2008 and 3rd March 2009 was determined by using the historical volatility of the Company's share price over the last 12 months and 18 months before the date of grant respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 31st March 2009, the Group recognised an aggregate amount of approximately HK$1,377,000 as expenses for the year in relation to the share options granted by the Company to the Group's director and employees and shown as staff costs. No such expenses were recognised during the year ended 31st March 2010.

(ii) Shares of the Company issued to a director

During the year ended 31st March 2009, as set out in note 30(iv), 3,192,660 ordinary shares of the Company were issued to Mr. Yeung for his services of introducing business opportunities to the Group. The fair value of the said ordinary shares issued amounting to approximately HK$1,405,000 was capitalised as part of the cost of the exploration and evaluation assets.

32. ACQUISITION OF SUBSIDIARIES

As set out in note 20, the Group acquired the entire issued share capital of GF together with its wholly-owned subsidiary, SMI, for a consideration of approximately HK$363,292,000 and incurred transaction costs of approximately HK$3,218,000 in late July 2008. This acquisition has been accounted for as acquisition of assets and liabilities as the subsidiaries acquired has not carried out any business yet.

	The net assets acquired in this transaction are as follows: HK$'000
Evaluation and exploration assets	366,510
Bank balances and cash	2
Other payables and accrued charges	(2)
Net assets acquired	366,510
Consideration satisfied by:	
Shares issued (Note 30(iv))	145,070
Convertible bond issued (Note 29)	218,222
Consideration	363,292
Transaction costs settled by issue of shares to Mr. Yeung	1,405
Transaction costs paid	1,813
	3,218
	366,510
Net cash outflow arising from acquisition:	
Expenses incurred for the acquisition	1,813
Bank balances and cash acquired	(2)
	1,811

Pursuant to the terms of the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion. Details of the consideration adjustment are set out in note 20.

Note: As for the fair value of the mining rights acquired, since the exploration on the acquired areas was at the initial stage, the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible bond issued, determined in accordance with HKFRS 2 "Share-based Payments" and HKAS 39 "Financial Instruments: Recognition and Measurement" respectively, was used to account for the costs of the mining rights.

33. DISPOSAL OF SUBSIDIARIES

As detailed in note 17, the Group discontinued its business of sale of medical equipment through disposal of its subsidiaries, the Wealthy Bridge Group, on 2nd July 2008.

The aggregate net assets of the disposed subsidiaries at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Investment properties	2,609
Property, plant and equipment	2,122
Prepaid lease payments	8,300
Inventories	2,775
Trade and other receivables	5,235
Bank balances and cash	17,622
Trade and other payables and accrued charges	(14,180)
Taxation payable	(22)
	24,461
Gain on disposal of subsidiaries	10,539
Total consideration, satisfied by cash	35,000
Net cash inflow arising from disposal:	
Cash consideration	35,000
Bank balances and cash disposed of	(17,622)
	17,378

34. OPERATING LEASES

The Group as lessee

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

	2010 HK$'000	2009 HK$'000
Within one year	**10,397**	3,248
In the second to fifth year inclusive	**8,803**	361
	19,200	3,609

Operating lease payments represent rental payable for the premises occupied by the Group. Leases are negotiated for terms ranging from one to three years.

35. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group participates in Mandatory Provident Fund Schemes (the "MPF Schemes") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund.

The Group contributes certain percentage of relevant payroll costs each month to the MPF Schemes.

The PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

36. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group with the following carrying amounts had been pledged to secure banking facilities and finance lease arrangements granted to the Group:

	2010 **HK$'000**	2009 HK$'000
Property, plant and equipment	**178**	147
Bank deposits	**1,719**	1,717
	1,897	1,864

37. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the finance leases of HK$111,000 (2009: HK$41,000).

38. RELATED PARTY DISCLOSURES

(i) As set out in note 30(iv), the Group entered into a service agreement with Mr. Yeung for his services of introducing business opportunities to the Group. In accordance with the terms of the service agreement, the Company shall issue and allot to Mr. Yeung new shares in the Company credited as fully paid up upon completion of each of the acquisitions and the payment of the adjusted acquisition consideration by the Company. The maximum limit for the number of new shares to be issued shall be 50,000,000.

During the year ended 31st March 2009, upon completion of the GF acquisition, the Company issued 3,192,660 ordinary shares of the Company to Mr. Yeung.

(ii) Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in note 25.

(iii) Compensation of key management personnel and directors during the year is set out in note 15.

Details of share options granted to directors of the Company are set out in note 31.

(iv) During the year ended 31st March 2010, an amount of HK$38,000 (2009: nil) of finished goods were sold to a director of the Company.

39. CAPITAL COMMITMENTS

The capital commitments of the Group as at 31st March 2010 are as follows:

(i) The capital commitments in respect of the exploration work to be performed contracted for but not provided for in the consolidated financial statements amounted to HK$625,000 (2009: HK$6,013,000).

The capital commitments in respect of the exploration work to be performed authorised but not contracted for amounted to HK$12,367,000 as at 31st March 2009.

(ii) As set out in notes 20 and 21, the consideration for the GF acquisition is subject to adjustment and the PF acquisition has not been completed up to the date these consolidated financial statements were authorised for issue. The consideration for the GF acquisition and PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively.

In addition, as set out in note 38(i), the Group is committed to issue new shares to Mr. Yeung upon payment of adjusted acquisition consideration for the GF acquisition and the PF acquisition.

(iii) On 30th April 2009, the Company as the purchaser, Wonder Champion Investment Limited ("Wonder Champion") as the vendor, and Mr. Zeng Jian as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise Group Limited ("Seawise") (the "Seawise Acquisition"). Both the vendor and the guarantor are independent third parties of the Company. Details are set out in the circular of the Company dated 20th May 2010 (the "Circular").

39. CAPITAL COMMITMENTS *(Continued)*

(iii) *(Continued)*

Seawise is a company incorporated in the British Virgin Islands on 5th March 2009 with limited liability. It was originally contemplated that upon the completion of a proposed reorganization, Seawise would indirectly hold 60% and 80% equity interests in 蒲縣晟鵬煤焦有限公司 Puxian Shengpeng Coal & Coke Company Limited ("Puxian Shengpeng") and 古交市玉峁煤業有限公司Gujiao City Yumao Coal Mining Company Limited ("Gujiao Yumao") respectively, which in turn would beneficially own the mining licence, which is in the process of applying by Seawise, in the coal mine located to the west of Guyi Village, Xueguan Town, Pu County, Shanxi Province ("Guyi Mine") and the mining licence in the coal mine located at Nanjiashan Village, Malan Town, Gujiao City, Shanxi Province ("Gujiao Mine") respectively.

However, the Company was given the understanding from the vendor that as a result of the continuing government mandated process of consolidation of coal resources in the Shanxi Province, the mining licence of the Gujiao Mine, along with certain other mines in Gujiao County, was transferred and consolidated to a privately-owned PRC consolidating entity. In view of such circumstances, the Company, the vendor and the guarantor entered into a supplemental agreement on 1st March 2010 to vary certain terms of the original sale and purchase agreement to the effect that Gujiao Yumao and the Gujiao Mine will no longer form part of the Seawise Acquisition, instead the vendor agreed to pay an aggregate sum of RMB256,000,000 in cash to the bank account of an indirectly wholly-owned subsidiary of Seawise as the replacement and settlement for the vendor's inability to complete the original reorganisation steps stipulated in the original sale and purchase agreement (the "Settlement").

The Seawise Acquisition was approved by the independent shareholders in a special general meeting held on 9th June 2010.

As set out in the Company's announcement dated 16th July 2010, the completion of the Seawise Acquisition is conditional upon, among other matters, the completion of the Reorganisation as defined in the Circular (including the Settlement) and the obtaining of all necessary consents and approvals required to be obtained from relevant authorities in respect of the Reorganisation (including the Settlement) and the transactions contemplated thereunder (the "Condition G") on or before 4:00 p.m. on 30th June 2010, or such later date as the vendor and the Company may agree.

Up to 16th July 2010, the Company has not received any evidence that the Settlement has been effected. As the Condition G has not been fulfilled, the Seawise Acquisition had accordingly ceased and terminated. The Company is exploring the possibility of taking legal actions against the vendor and reserves all its rights against the vendor. The Company has not paid any consideration or deposits to the vendor in respect of the Seawise Acquisition.

39. CAPITAL COMMITMENTS *(Continued)*

(iv) As announced on 11th October 2009, the Company as the purchaser, Wonder Champion, as the vendor entered into a sale and purchase agreement on 30th September 2009, pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Glory Success Group Holdings Limited ("Glory Success") (the "Acquisition").

Glory Success is a company incorporated in the British Virgin Islands on 13th May 2009 with limited liability. Upon the completion of a proposed group reorganisation which is one of the conditions precedent to the Acquisition, Glory Success will indirectly own 90% equity interests in 壽陽麥捷實業有限責任公司 Shouyang Maijie Industry Company Limited ("Shouyang Maijie").

Shouyang Maijie, a company established in the PRC, is principally engaged in the business of coal exploitation and holds the mining licence of the coal mine located at East RongJiaGou Estate, Chengbei Jiechou Village, Shouyang County, Jinzhong City, Shanxi Province in the PRC ("Maijie Mine").

As announced on 26th February 2010, the directors of the Company were notified by the vendor that there was certain policy change in the PRC for the consolidation of coal resources in Shanxi Province. As a result of the policy change, the majority stake of the shareholding interest in Shouyang Maijie has been mandated to be transferred to certain state-owned enterprises by the Shanxi Government. This gives rise to the situation that the completion of the group reorganisation (which is one of the conditions precedent of the Acquisition) cannot proceed.

Since the conditions of the sale and purchase agreement could not be fulfilled on or before the long stop date (i.e. 31st March 2010), the sale and purchase agreement was ceased and terminated after the long stop date and thereafter neither party have any obligations and liabilities towards each other. The Company has not ever paid any consideration or deposits in respect of the Acquisition to the vendor.

40. EVENTS AFTER THE REPORTING PERIOD

(i) On 20th June 2010, the Company as the purchaser and Wonder Champion as the vendor, entered into a non-legally binding memorandum of understanding in respect of the possible acquisition of 90% beneficial interests in two coal mines located in Shanxi Province, the PRC ("Mines"). The total consideration will be determined after post completion of technical and commercial due diligence by reference to the reserves and/or resources of the Mines as assessed under the appropriate reporting standard in compliance with the Listing Rules and will be in the range of HK$36 to HK$50 per tonne of reserves and/or resources of the Mines. The consideration of the proposed acquisition is intended to be settled by the Company by way of issuing convertible bonds, and/or of cash and/or any combination thereof.

(ii) As explained in note 39(iii), as the Condition G has not been fulfilled, the Seawise Acquisition had ceased and terminated. The Company is exploring the possibility of taking legal actions against the vendor and reserves all its rights against the vendor.

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2010 and 2009 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of issued share capital held by the Company indirectly 2010	2009	Principal activities
NB Management Services Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Provision of management services
Procare (Holdings) Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and investment holding
Procare International Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products
SMI LLC	Mongolia	10,000 common shares of Mongolia Tögrög 1,200 each	**100%**	100%	Coal mining

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

42. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The summarised statement of financial position of the Company as at 31st March 2010 and 2009 is as follows:

	2010 HK$'000	2009 HK$'000
Total assets	**432,214**	484,598
Total liabilities	**(141,311)**	(121,914)
	290,903	362,684
Share capital	**166,192**	165,254
Reserves	**124,711**	197,430
Total equity	**290,903**	362,684

Loss for the year of the Company amounted to approximately HK$74,313,000 (2009: HK$66,736,000).

Financial Summary

RESULTS

	For the year ended 31st March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**6,866**	16,411	50,759	41,819	19,420
LOSS BEFORE TAXATION	**(76,389)**	(35,466)	(28,978)	(12,160)	(6,701)
TAXATION	**–**	390	430	7	(28)
LOSS FOR THE YEAR	**(76,389)**	(35,076)	(28,548)	(12,153)	(6,729)
Loss for the year attributable to:					
Owners of the Company	**(76,245)**	(35,076)	(28,540)	(12,161)	(6,729)
Minority interests	**(144)**	–	(8)	8	–
	(76,389)	(35,076)	(28,548)	(12,153)	(6,729)

ASSETS AND LIABILITIES

	At 31st March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**439,035**	495,745	57,619	64,450	51,798
TOTAL LIABILITIES	**(147,667)**	(131,227)	(24,042)	(24,308)	(30,249)
NET ASSETS	**291,368**	364,518	33,577	40,142	21,549