昊天能源集團有限公司
HAO TIAN RESOURCES GROUP LIMITED

(Formerly known as "Winbox International (Holdings) Limited 永保時國際(控股)有限公司")
(Incorporated in the Cayman Islands with limited liability) (Stock code: 00474)

Annual Report
2009/2010

Contents

2	Corporate Information
4	Financial Highlights
5	Directors, Senior Management and Staff
8	Chairman's Statement
11	Management Discussion and Analysis
17	Report of Directors
26	Corporate Governance Report
35	Independent Auditor's Report
37	Consolidated Statement of Comprehensive Income
38	Consolidated Statement of Financial Position
39	Consolidated Statement of Changes in Equity
41	Consolidated Statement of Cash Flows
43	Notes to the Consolidated Financial Statements
124	Financial Summary

Corporate Information

BOARD OF DIRECTORS

Ms. Choi Hon Hing *(Chairman)*
(resigned on 1 April 2010)
Mr. Fung Ka Pun
(Executive Director, Acting and Vice Chairman)
(appointed on 1 April 2010)
Ms. Fung Wing Yee, Wynne *(Executive Director)*
(resigned on 1 April 2010)
Mr. Ng Cheuk Fan, Keith *(Executive Director)*
(appointed on 1 September 2009)
Mr. Mak Yiu Tong *(Executive Director)*
(appointed on 7 May 2010)
Ms. Fung Wing Ki, Vicky *(Non-Executive Director)*
(re-designated from executive director with effect from 17 July 2009)
Mr. Mok Chiu Kuen *(Non-Executive Director)*
(appointed on 1 September 2009)
Dr. Tam Hok Lam, Tommy, *J.P.*
(Independent Non-Executive Director)
Dr. Hui Ka Wah, Ronnie, *J.P.*
(Independent Non- Executive Director)
Mr. Leung Man Chun, Paul
(Independent Non-Executive Director)

AUDIT COMMITTEE

Dr. Tam Hok Lam, Tommy, *J.P.*
(Chairman of Committee)
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul

EXECUTIVE COMMITTEE

Mr. Fung Ka Pun *(Chairman of Committee)*
Mr. Ng Cheuk Fan, Keith
Mr. Mak Yiu Tong

REMUNERATION COMMITTEE

Dr. Tam Hok Lam, Tommy, *J.P.*
(Chairman of Committee)
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul
Mr. Fung Ka Pun

NOMINATION COMMITTEE

Mr. Fung Ka Pun *(Chairman of Committee)*
Dr. Tam Hok Lam, Tommy, *J.P.*
Dr. Hui Ka Wah, Ronnie, *J.P.*

COMPANY SECRETARY

Mr. Jip Ki Chi

LEGAL ADVISERS

Troutman Sanders
34/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Guantao Law Firm
17/F, Tower 2
Ying Tai Center
No. 28, Finance Street
Beijing 100140, China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Corporate Information

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4803, 48/F, COSCO Tower
183 Queen's Road Central
Hong Kong

WEBSITE

www.haotianhk.com

Financial Highlights

For the years ended 31 March	2010	2009
Operating Results	**HK$'000**	HK$'000
Revenue	**97,029**	166,505
Gross profit	**11,388**	37,945
Net loss	**(469,409)**	(22,871)
Per Share Data	**HK cents**	HK cents
Loss per share – basic	**(74.65)**	(5.57)
Final dividend per share (proposed)	**–**	1.20
Net asset per share	**65.13**	43.04
Financial Position	**HK$'000**	HK$'000
Total assets	**2,502,224**	198,029
Net assets	**1,098,282**	177,097
Financial Ratios	**%**	%
Gross profit to revenue %	**11.7**	22.8
Net loss to revenue %	**(483.8)**	(13.7)
Loss on equity %	**(42.7)**	(12.9)
Debt to equity %	**34.5%**	–

DIRECTORS

Executive Directors

Ms. Choi Hon Hing, 61, is an Executive Director and the Chairman of the Company (resigned on 1 April 2010). She is the wife of Mr. Fung Ka Pun, and the mother of Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne. She is responsible for the overall control and management of the Group. Ms. Choi joined the Group in October 1994 as the Director of both Winbox (BVI) Limited ("Winbox (BVI)") and Winbox Company Limited ("WCL"), after the acquisition of Winbox (BVI) by Goodwill International (BVI) Limited and other independent shareholders. She has since contributed significantly to the changeover in the management of the Group during the course of acquisition by Boxmore Limited and has secured a number of new customers for the Group by virtue of her marketing expertise and her business affiliations.

Mr. Fung Ka Pun, 64, is the Executive Director, Acting and Vice Chairman of the Company (appointed on 1 April 2010). He is the husband of Ms. Choi Hon Hing, and the father of Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne. Mr. Fung is a member of the Association of International Accountants and a member of the Institute of Chartered Secretaries & Administrators. Mr. Fung currently is a Director of other companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"), namely, a Non-Executive Director of China SCE Property Holdings Limited (Stock Code: 1966) and an Independent Non-Executive Director of each of Samling Global Limited (Stock Code: 3938), Denway Motors Limited (Stock Code: 203), GZI Transport Limited (Stock Code: 1052) and Lee Hing Development Co., Ltd. (Stock Code: 0068). He is the founder and chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and corporate finance business.

Ms. Fung Wing Yee, Wynne, 35, is an Executive Director of the Company (resigned on 1 April 2010). She is a daughter of Mr. Fung Ka Pun and Ms. Choi Hon Hing, and the sister of Ms. Fung Wing Ki, Vicky. Ms. Fung graduated with a Bachelor's degree in Interior Architecture from the University of New South Wales, Australia in May 1998. After graduation, she worked as an architectural assistant. In 2000, she joined WCL as a designer of the Group's products. Ms. Fung has been involved in many new designs of the Group's products and is responsible for the management of the design and research and development departments.

Mr. Ng Cheuk Fan, Keith, 49, is an Executive Director of the Company. Mr. Ng graduated from the University of Alberta, Canada with a Bachelor degree in commerce, majoring in accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Ng has extensive management and accounting experience. Mr. Ng is an Executive Director of China Fortune Group Limited ("China Fortune") and an Independent Non-Executive Director of The Hong Kong Building and Loan Agency Limited (both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited) and has been the managing director of China Fortune since 4 December 2007. Mr. Ng was appointed as the Executive Director of the Company in September 2009.

Directors, Senior Management and Staff

Mr. Mak Yiu Tong, 51, was appointed as an Executive Director of the Company on 7 May 2010. Mr. Mak graduated from the China University of Political Science and Law with a bachelor of law degree in 1998. Mr. Mak has been working in law firms in Hong Kong for over 30 years. At present, he is a legal executive of C. K. Mok & Co., a firm of solicitors in Hong Kong, of which Mr. Mok Chiu Kuen, a Non-Executive Director, is a partner. Mr. Mak has been working in the law firm for over 23 years and his job duties are to assist the law firm in handling corporate and litigation matters.

Non-Executive Directors

Ms. Fung Wing Ki, Vicky, 36, is a Non-Executive Director of the Company. She is a daughter of Mr. Fung Ka Pun and Ms. Choi Hon Hing, and the sister of Ms. Fung Wing Yee, Wynne. Ms. Fung graduated with Bachelor's degrees in Economics and Law from the University of Sydney, Australia in 1995 and 1997 respectively. She was admitted as Legal Practitioner in the State of New South Wales, Australia in 1997 and commenced her career as a legal practitioner in an international law firm, Coudert Brothers, in the same year. She joined WCL in 2001, initially assisting the Group in its administrative matters as corporate development manager. Ms. Fung became a Director of the Group in August 2004. Ms. Fung was appointed as an Executive Director of the Company in May 2006 and was re-designated as a Non-Executive Director in July 2009.

Mr. Mok Chiu Kuen, 58, is a Non-Executive Director of the Company. Mr. Mok is a senior partner of Messrs. C.K. Mok & Co., Solicitors. Mr. Mok graduated from Pratt Institute of New York, U.S.A. with a Bachelor of Fine Art and a Master of Science. Mr. Mok also completed a PRC laws course and received a Bachelor of Laws from China University of Political Science and Law. Mr. Mok is admitted as a Solicitor of High Court of Hong Kong, a Solicitor of the Supreme Court of England and Wales, and as a Solicitor and Barrister of A.C.T. Australia and an Advocate in Singapore. Mr. Mok was appointed as a Non-Executive Director of the Company in September 2009.

Independent Non-Executive Directors

Dr. Tam Hok Lam, Tommy, *PhD., J.P.*, 61, is an Independent Non-executive Director of the Company. Dr. Tam is a fellow member of the Association of International Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also an honorary director of Hong Kong Watch Manufacturer's Association Limited and a council member of the Hong Kong Institute of Directors.

Dr. Tam currently is an Independent Non-executive Director of Elegance International Holdings Limited, a listed company on the Main Board, which is principally engaged in the manufacturing and trading of optical frames, sunglasses and optical cases. He is also an Independent Non-Executive Director of Madex International (Holdings) Limited, a listed company on the Main Board, whose principal activity is investment holding, whilst its subsidiaries are mainly engaged in property investment and development in the PRC. Dr. Tam currently is the Managing Director of Tomson Holdings Limited which is an investment holdings company, and is also the Chairman of Artistic Precision Holdings Ltd which is involved in watch design, production and trading. Dr. Tam is a Standing Committee member of Chinese People Political Consultative Conference in Shandong Province, the People's Republic of China. Dr. Tam was appointed as an Independent Non-executive Director of the Company in March 2006.

Dr. Hui Ka Wah, Ronnie, *J.P.*, 46, is an Independent Non-Executive Director of the Company. Dr. Hui graduated from the University of Hong Kong with a Bachelor of Medicine degree and Bachelor of Surgery degree and holds the Diploma of Child Health at Royal College of Physicians & Surgeons in Ireland and at Royal College of Physicians & Surgeons of Glasgow. Dr. Hui is a registered medical practitioner in Hong Kong and has been registered as Specialist in Pediatrics since 2001. Dr. Hui is a member of the Royal College of Physicians of the United Kingdom, a fellow member of the Hong Kong Academy of Medicine (Paediatrics) and a fellow member of the Hong Kong College of Paediatricians. Dr. Hui is a Chartered Financial Analyst Charter holder and holds a MBA degree at Universitas 21 Global. Dr. Hui is an Executive Director of Town Health International Investments Ltd (a company listed on Main Board of The Stock Exchange of Hong Kong Limited). He is an Independent Non-Executive Director of SunCorp Technologies Ltd (a company listed on the Main Board). He is the Corporate Marketing Director of Quam Capital (Holdings) Limited. He was appointed as an Independent Non-executive Director of the Company in March 2006.

Mr. Leung Man Chun, Paul, 36, is an Independent Non-executive Director of the Company. Mr. Leung graduated from the University of Sydney with a Bachelor's degree in Economics in 1995 and with a Master's degree in Commerce from the University of New South Wales, Australia in 1996. Mr. Leung is a Certified Practising Accountant in Australia. He was previously a statistician at Dresdner RCM Global Investors Asia Limited in 1996 to 1998. In July 1998, he joined Kingsway Company as the financial controller and was promoted to director of the company in July 1999. Mr. Leung was appointed as the Independent Non-executive Director of the Company in March 2006.

COMPANY SECRETARY

Mr. Jip Ki Chi, 40, is the Financial Controller and Company Secretary of the Company. He graduated from the Queensland University of Technology, Australia, with a Bachelor Degree in Accountancy in 1993. He also received a Master of Business Administration degree from the Adelaide University, Australia in 2008. Mr. Jip was admitted as a Certified Practising Accountants of CPA Australia in 1997. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 16 years of experience in the field of accounting and finance, especially in listed trading and manufacturing companies. Mr. Jip joined the Company in June 2007.

Chairman's Statement

Dear Shareholders,

On behalf of Hao Tian Resources Group Limited (the "Group" or "Hao Tian Resources"), I hereby present our full year results for the year ended 31 March 2010.

In 2009, the global economy still had not fully recovered from its trough as a result of financial tsunami, especially the economic conditions in Europe and the United States still remained trembling. Not only had this affected the export of our goods, but it had also exerted a severe blow to the overall packaging industry. With the support of all shareholders and staff, apart from the continuing active market exploration and product quality enhancement efforts, the Group had also repositioned its future development targets and determined to transform itself into a coking coal enterprise with more solid development potential and had acquired two quality coal mines located in Wuhai municipality, Inner Mongolia in the beginning of 2010 ("the Acquisitions"). In order to fully demonstrate its future business development, the Group has officially changed its name to Hao Tian Resources Group Limited and expects the coking coal business will explore broader operation spectrum for the Group.

BUSINESS OVERVIEW

Owing to the impact of the macroeconomic environment, both the European and American customers had remained conservative in confirming the packaging box orders. The Group's revenue for the year ended 31 March 2010 decreased by approximately 41.7% to approximately HK$97.0 million (2009: approximately HK$166.5 million). At the same time, the Group's gross profit for the year ended 31 March 2010 also decreased to approximately HK$11.4 million (2009: approximately HK$37.9 million). Gross profit margin also decreased to approximately 11.7% (2009: approximately 22.8%). As the Group had just commenced the operation of its coal mining business in the beginning of this year, revenue from the respective business has still not significantly reflected in this year's accounts.

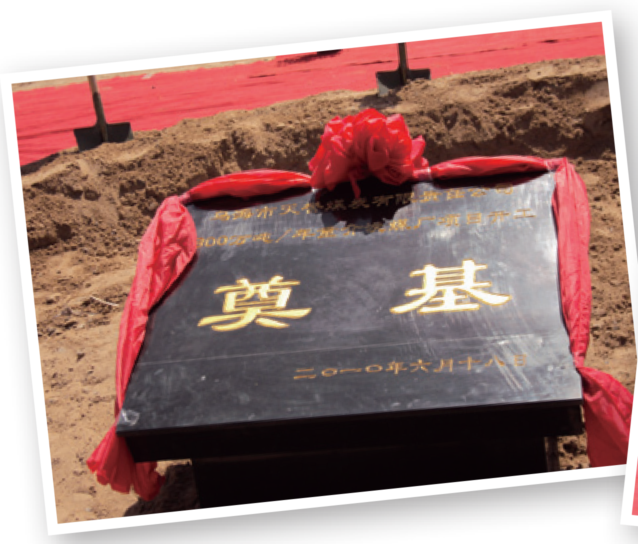
For the year ended 31 March 2010, the Group recorded a total loss of approximately HK$469.4 million (2009: a loss of approximately HK$22.9 million), and net margin for the year ended 31 March 2010 was a negative of approximately 483.8% (2009: a negative of approximately 13.7%). Basic loss per share was approximately HK74.65 cents (2009: a loss of approximately HK5.57 cents per share). Although the Group had recorded a loss of approximately HK$469.4 million for the year ended 31 March 2010 (2009: loss of approximately HK$22.9 million), mainly due to (1) negative effect arising from fair value adjustment in embedded derivatives of convertible notes (approximately HK$31.0 million) and recognition of imputed interest expense on the liability component of the convertible notes (approximately HK$6.8 million) issued by the Company on 25 January 2010 for the Acquisitions; and (2) one-off impairment loss on goodwill arising from the Acquisitions and the France Operation (approximately HK$421.7 million), after deducting these non-operating and non-cashflow expenses, the adjusted loss for the year will then be approximately HK$9.9 million. Please refer to the below section headed "Financial Review" for more details.

Business review

The financial tsunami caused an obvious slump in the global economy and had decreased the demand for packaging boxes in the major markets of the Group, i.e. Europe and the United States, thereby exerting setback to both the overall packaging industry and the Group at different degrees. Although the Group had continuously improved its operating conditions, however, as binded by the entire adverse macroeconomic environment, the packaging operation of the Group was affected. Furthermore, the weak economic performance in Europe and the United States had greatly affected the operation performance of the festive season surge. The Group was inevitably being affected, resulting in an adverse impact in its sales performance during the peak season.

In order to further improve its production efficiency and reduce production costs, the Group relocated its production facilities and plant from Longhua, Shenzhen to Qiao Tou, Dongguan in China and the operation had formally commenced. Despite incurring additional expenditure as a result of relocation, the Group believes that the plant relocation will help the Group in controlling its production costs and improving its production efficiency.

For the coal mining business, Mine No. 1 of our Group, located in Wuhai City, Inner Mongolia Autonomous Region, is undergoing technical reconstruction so as to reach the higher national standard. Mine No. 4 has also been under formal construction with an annual production capacity of 1.50 million tonnes. The coal mines adopt both advanced technology and effective exploitation methods to develop its abundant coal resources. It is expected that the targeted exploitation capacity of 1.65 million tonnes per annum of raw coal in 2011 will be achieved. The Group estimates that in the next 3 years to come, the total production capacity of raw coal from the two mines will increase to 1.95 million tonnes in 2012. Furthermore, the construction of Tianyu Coal Washing Plant under the Group is expected to be completed by December 2010. The plant is mainly responsible for the production and sale of washed clean coals that have much higher profit margin than raw coal, and is beneficial to the increase of the Group's business profits and product category expansion. Although the revenue from coal mining business had not been significantly accounted for within the year ended 31 March 2010, the revenue of this segment will greatly contribute to the Group's earnings capacity in the future, which will further strengthen the development of the coking coal and fine coal businesses of the Group.



The Foundation Stone Laying Ceremony of Tianyu Coal Washing Plant with annual production capacity of 3 million tonnes in June 2010

Looking forward, despite the difficulties facing manufacturing business in China due to continuously increasing costs, augmented by the setbacks arising from the global financial crisis which was not fully recovered, Hao Tian Resources will strive for its best to proactively expand its coal mining business. We will also further strengthen the horizontal and vertical development aspects of our businesses through mergers and acquisitions, thereby improving our earnings capacity. The Group believes that in the next two years, the coal mining business will bring considerable profit growth to the Group and be complimented by our firm management vision and aggressive business strategy, we are of the view that Hao Tian Resources will attain satisfactory results in the future.

For Hao Tian Resources, 2009/2010 was a year full of challenges and opportunities. Under the threats of the financial tsunami, not only had the Group not shrunk back but further sought a breakthrough by transforming itself into a coal mining industry player with solid development potential, thriving to achieve better results to the Group. On behalf of the Group, I would like to express my heartful thanks to every shareholder, director, management and staff for their support and contributions, and we expect to achieve better results and continue to receive your recognition and support in the future.

Fung Ka Pun
Acting and Vice Chairman

Hong Kong
21 July 2010

FINANCIAL REVIEW

New Coal Mining Business (Acquisitions completed on 25 January 2010)

Since the Group completed the acquisitions of the two coal mines (Mine No. 1 and Mine No. 4 with a coal washing plant construction project) near the end of the financial year, and Mine No. 1 and Mine No. 4 are under technical improvement and construction respectively, the coal mining segment did not provide significant contribution to the results of the Group for the year. Accordingly, there were no material changes to the resources and reserves of both mines as disclosed in the circular of the Company dated 28 December 2009. For the year ended 31 March 2010, the coal mining segment only records revenue of approximately HK$0.06 million (2009: nil). The segment loss amounted to approximately HK$413.0 million (2009: nil), mainly due to the impairment on goodwill amounting to approximately HK$411.1 million arising from the Acquisitions. The impairment on goodwill is non-operating in nature and will not affect the financial and cashflow positions of the Group.

Packaging Box Business

The packaging box segment revenue for the year ended 31 March 2010 decreased by approximately 41.7% to HK$97.0 million (2009: HK$166.5 million). The decrease was attributable to the global economic downturn which caused our major customers in the United States and Europe to become more cautious in placing their orders. Segment loss amounted to approximately HK$20.9 million (2009: segment profit of HK$20.9 million), which includes an one-off impairment loss on goodwill of approximately HK$10.6 million previously recognised for the Group's France Operation. As a result of the pessimistic market condition in Europe, management expects that the demands for the Group's products from the France operation will be decreased in the near future, hence impairment is required. Other main reasons for the incurred loss include (1) the substantial drop in turnover; (2) the increase in cost of sales incurred for the relocation of the manufacturing plant from Shenzhen to Dongguang, the PRC; and (3) higher direct labour costs.

Overall Gross Profit

The Group's overall gross profit decreased to approximately HK$11.4 million (2009: HK$37.9 million) for the year ended 31 March 2010. Gross profit margin also decreased from approximately 22.8% for the year ended 31 March 2009 to approximately 11.7% for the year ended 31 March 2010, primarily due to the substantial drop in revenue and increase in cost of sales as discussed above.

Other Income, Gain and Loss, Change in Fair Value of Investments Held for Trading, Impairment Loss recognised in respect of Available-For-Sale Investments

The Group invested in various types of financial instruments including fixed income and equity with a view to enhance overall return. As a result of the gradual recovery of global financial markets since the second quarter of 2009, a total net gain of approximately HK$11.7 million (2009: loss of approximately HK$27.5 million) was recorded in other income, gain and loss, change in fair value of investments held for trading and impairment loss recognised in respect of available-for-sale investments.

Change in Fair Value of Derivative Financial Instruments

The Group recorded a non-operating expense of approximately HK$31.0 million arising from fair value adjustment in the embedded derivatives of convertible notes issued by the Company on 25 January 2010 for the Acquisitions. Save as disclosed above, as at the date of this report, the Group does not have any other outstanding derivative financial instruments.

Distribution and Selling Costs

The Group's distribution and selling costs as a percentage of turnover were approximately 2.4% (2009: 2.2%) for the year ended 31 March 2010.

Administrative Expenses

The Group's administrative expenses were approximately HK$28.3 million that maintained at a similar level of approximately HK$28.6 million in the year 2009.

Impairment loss recognised in respect of Goodwill

As a result of the pessimistic market condition in Europe, the management expects that the demand for the Group's products sold by the France Operation will be decreased in the near future, hence impairment on goodwill previously recognised of approximately HK$10.6 million is required.

The goodwill arising from the Acquisitions of the coal mining business amounted to approximately HK$411.1 million, representing the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. In accordance with HKFRS 3 "Business combinations" issued by the HKICPA, the cost of the acquisitions were determined based on the fair values of the consideration at the acquisition date, including convertible notes and the Company's shares which were determined by reference to the market value of the ordinary shares of the Company with adjustments to take into account the terms and conditions upon which shares were issued. The Group has performed an impairment test assessment on the carrying amount of the cash generating unit of the coal mining business based on value in use calculations.

The directors expected the operation scale of the coal mining business after the Acquisitions would be further expanded by incorporating the resources of the Group, including the construction of coal washing plant. However, such expectations are not incorporated as assumptions in preparing the cash flow forecasts for impairment testing purpose as actual economic benefit has not been realised as at 31 March 2010 and therefore not included in the value in use calculations. As the carrying amount of the cash generating unit of the coal mining business is significantly above its recoverable amount on such basis, the Group fully impaired the amount of goodwill of approximately HK$411.1 million at 31 March 2010.

Finance Costs

The Group's finance costs for the year ended 31 March 2010 amounted to approximately HK$6.9 million (2009: HK$0.2 million). The increase was mainly due to the recognition of imputed interest expense (approximately HK$6.8 million) on the liability component of the convertible notes issued by the Company on 25 January 2010 for the Acquisitions. This imputed interest expense has no impact on the cashflow positions of the Group.

Loss for the year attributable to owners of the Company

The Group had recorded a loss of approximately HK$469.4 million for the year ended 31 March 2010 (2009: loss of approximately HK$22.9 million), mainly due to (1) negative effect arising from fair value adjustment in embedded derivative of convertible notes (approximately HK$31.0 million) and recognition of imputed interest expense on the liability component of the convertible notes (approximately HK$6.8 million) issued by the Company on 25 January 2010 for the Acquisitions and (2) one-off impairment loss on goodwill arising from the Acquisitions and the France Operation (approximately HK$421.7 million) as discussed above. After deducting these non-operating and non-cashflow expenses, the adjusted loss for the year will then be approximately HK$9.9 million.

Dividends

No final dividend for the year ended 31 March 2010 (2009: HK$0.012 per share) has been proposed by the directors.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group funds its operations from a combination of internal resources, equity fund raising, financial instruments and bank borrowing. As at 31 March 2010, the Group had cash and cash equivalents of approximately HK$302.7 million (2009: HK$54.7 million). The Group's working capital increased to approximately HK$235.5 million (2009: HK$108.6 million), mainly due to the additional fund raising from the placement of new shares for the Acquisitions in January 2010. Current ratio (a ratio of total current assets to total current liabilities) decreased by approximately 63.1% to 2.4 times (2009: 6.5 times). Gearing ratio (a ratio of total borrowings to total assets other than goodwill) as at 31 March 2010 was approximately 15.1% (2009: 0%), such increase was mainly due to the issuance of the convertible notes for the Acquisitions during the year.

For the year ended 31 March 2010, the Group generated a net cash inflow from operating activities of approximately HK$30.7 million (2009: HK$16.1 million). On the other hand, the Group incurred a net cash outflow from investing activities of approximately HK$168.6 million (2009: HK$21.5 million), primarily due to the payment of cash consideration in relation to the Acquisitions. The net cash inflow from financing activities of approximately HK$385.2 million (2009: net cash outflow of approximately HK$14.0 million) mainly represented by the proceeds from the placement of new shares (approximately HK$698.3 million), which was partially offset by the repayment of the loans of the Target Group (approximately HK$282.2 million) in relation to the Acquisitions during the year.

The Group has pledged its leasehold land and buildings with carrying values of approximately HK$12.6 million (2009: Nil) to secure the outstanding bank borrowing and HK$3.1 million (2009: HK$3.2 million) to secure the unutilised general banking facilities granted to the Group.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2010, there was capital commitment of approximately HK$108.3 million and HK$407.8 million in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorised but not contracted for respectively.

Save as disclosed, the Group had no material contingent liabilities as at the close of business on 31 March 2010.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The net foreign exchange gain for the year ended 31 March 2010 was approximately HK$0.3 million compared to the net foreign exchange loss of approximately HK$5.8 million for the corresponding period in 2009. The Group's foreign exchange risks arise mainly from the mismatch between the currency of its sales, purchases and operating expenses. Its sales are denominated in US dollars ("USD"), Euros ("EUR"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group's purchases and expenses are mostly denominated in HKD and RMB, and some in USD and EUR. The Group has certain foreign currency investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. As HKD is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HKD exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

EMPLOYMENT AND SHARE OPTION SCHEMES

As at 31 March 2010, the Group had a total of approximately 1,363 employees in the PRC, Hong Kong and France. Remuneration packages for the employees are maintained at a competitive level in the relevant jurisdiction, within which employees are attracted, retained and motivated. Remuneration packages are reviewed periodically.

A summary of the share option schemes of the Group is set out in note 39 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year 2009/2010, the Group had completed the acquisitions of two coal mines (Mine No. 1 and Mine No. 4) located in Inner Mongolia, PRC on 25 January 2010. To finance the Acquisitions, the Group has issued a total of 554,216,000 placing shares at the placing price of HK$1.26 per placing shares, a total number of 323,696,505 consideration shares at HK$0.88 per consideration shares and convertible notes with the principal amount of approximately US$135.51 million (approximately HK$1,050.34 million) and with conversion price at HK$0.88 per conversion share.

For details of the Acquisitions, please refer to the circular of the Company dated 28 December 2009, the placing announcement dated 15 January 2010 and the completion announcement dated 25 January 2010.

Future Prospects

Despite the macroeconomic environment still not recovered and augmented by the challenges of the European debt crisis, minimum wages and Renminbi appreciation issues, Hao Tian Resources deeply believes that the coal mining business of the Group will have sufficient development potential to turn back the Group from its adverse disadvantages. Our coal mines and coal washing plant will put into operation one after another. Given the abundant coking coal resources and advanced mining technology, not only will it facilitate the consolidation of the coal mining business development of the Group in the future, it will also indicate a considerable earnings growth in the next two years. In order to further expand its production scale, the Group will also purchase raw coals externally for processing and resale, thus, ensuring the production efficiency and economic benefits of the coal washing plant will maximize to its fullest extent. Hao Tian Resources will continue to devote tremendous resources into its coal mining business and will react actively to market changes and seek acquisition projects that are in line with the Group's development direction. Through the consolidation and integration of this highly segmented coking coal industry, we aim at becoming one of the biggest coking coal enterprises in China. Hao Tian Resources will persevere unremittingly to achieve record-breaking performance in the years to come.

The Directors of the Company (the "Directors") present their annual report and the audited financial statements of the Company for the year ended 31 March 2010.

CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed by the shareholders at an extraordinary general meeting of the Company held on 7 May 2010, the name of the Company was changed from "Winbox International (Holdings) Limited 永保時國際（控股）有限公司" to "Hao Tian Resources Group Limited 昊天能源集團有限公司". The change of name took effect on 7 May 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and provides management service to its subsidiaries. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements for the year ended 31 March 2010.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income for the year ended 31 March 2010 on page 37 of this annual report. Dividends amounting to approximately HK$5,028,000 were paid to the shareholders during this financial year. No final dividend was recommended by the Directors for the year ended 31 March 2010.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2010, the Company's reserves available for distribution amounted to approximately HK$1,307,251,000. The distributable reserves include the Company's share premium reserve of approximately HK$1,337,384,000, which may be distributed subject to Section 34 of the Cayman Companies Law and the Articles of Association of the Company. Details of the movements in the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on pages 39 and 40 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements for the year ended 31 March 2010.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements for the year ended 31 March 2010.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the Companies Law in the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 March 2010 is set out on page 4 of this annual report.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2010.

DIRECTORS

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

Executive Directors:

Ms. Choi Hon Hing *(Chairman) (resigned on 1 April 2010)*
Mr. Fung Ka Pun *(Acting and Vice Chairman) (appointed on 1 April 2010)*
Ms. Fung Wing Yee, Wynne *(resigned on 1 April 2010)*
Mr. Ng Cheuk Fan, Keith *(appointed on 1 September 2009)*
Mr. Mak Yiu Tong *(appointed on 7 May 2010)*

Non-Executive Directors:

Ms. Fung Wing Ki, Vicky *(re-designated from executive director with effect from 17 July 2009)*
Mr. Mok Chiu Kuen *(appointed on 1 September 2009)*

Independent Non-Executive Directors:

Dr. Tam Hok Lam, Tommy, *J.P.*
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul
Mr. Zhu Yongguang *(to be appointed and will become effective on 1 August 2010)*

According to the Company's Articles of Association, Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith, Mr. Mak Yiu Tong, Mr. Mok Chiu Kuen, Ms. Fung Wing Ki, Vicky, Dr. Tam Hok Lam, Tommy, *J.P.*, Mr. Leung Man Chun, Paul and Mr. Zhu Yongguang shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 5 to 7 of this annual report.

DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of two or three years, as the case requires. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by the Group within one year without compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-Executive Directors has confirmed their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-Executive Directors independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2010, the interests of the Directors or their associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long Positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Nature of Interest	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate percentage of total issued share capital
Ms. Choi Hon Hing	Beneficial owner	Personal interest	3,444,313			
	Interest of a controlled corporation	Corporate interest	5,581 (Note 1)			
	Beneficiary of trust	Other interest	80,000,000 (Note 2)			
	Interest of spouse	Spouse interest	22,701,092	240,000 (Note 3)	106,390,986	6.31%
Ms. Fung Wing Ki, Vicky	Beneficial owner	Personal interest	2,337,262			
	Beneficiary of trust	Other interest	80,000,000 (Note 2)	–	82,337,262	4.88%
Ms. Fung Wing Yee, Wynne	Beneficial owner	Personal interest	1,733,262			
	Beneficiary of trust	Other interest	80,000,000 (Note 2)	–	81,733,262	4.85%
Dr. Tam Hok Lam, Tommy, *J.P.*	Beneficial owner	Personal interest	240,000	160,000 (Note 4)	400,000	0.02%
Dr. Hui Ka Wah, Ronnie, *J.P.*	Beneficial owner	Personal interest	–	160,000 (Note 4)	160,000	0.01%
Mr. Leung Man Chun, Paul	Beneficial owner	Personal interest	–	160,000 (Note 4)	160,000	0.01%

Notes:

1 Ms. Choi Hon Hing has a beneficial interest in Bo Hing Limited ("Bo Hing"), which was interested in 5,581 shares in the Company as at 31 March 2010, representing approximately 0.0003% of the issued share capital of the Company.

2 The three references to 80,000,000 shares relate to the same block of shares held by Gainbest Investments Limited ("Gainbest") which is a company wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust set up by Mr. Fung Ka Pun, the spouse of Ms. Choi Hon Hing, of which the discretionary objects include but not limited to Ms. Choi Hon Hing, Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne.

3 These interests represented Ms. Choi Hon Hing's spouse interest in 240,000 underlying shares in respect of share options granted by the Company to Mr. Fung Ka Pun, the spouse of Ms. Choi Hon Hing as at 31 March 2010, the details of which are set out in the details of movements in the share options on note 39 to the consolidated financial statements.

4 These interests represented the interests in underlying shares in respect of share options granted by the Company to these Directors as beneficial owners under the Share Option Scheme ("Post–Listing Scheme") adopted on 16 May 2006, the details of which are set out in the details of movements in the share options on note 39 to the consolidated financial statements.

Other than as disclosed above, as at 31 March 2010, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept 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 and details of movements in the share options are set out in note 39 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2010, the following entities have interests or short positions of 5% or more in the shares and underlying shares of the Company which were recorded in the Register of Substantial Shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

Name	Number of shares of the Company held	Number of underlying shares of the Company held	Capacity	Approximate percentage of total issued share capital
TRXY Development (HK) Limited	146,216,443	167,570,985 (Note 5)	Beneficial owner	71.7%
	256,752,676 (Note 1)	638,447,961 (Note 1)	Interest of a controlled corporation	
Ms. Li Shao Yu	402,969,119 (Note 2)	806,018,946 (Note 2)	Interest of a controlled corporation	71.7%
Real Power Holdings Limited	256,752,676	638,447,961 (Note 1)	Beneficial owner	53.09%
Mr. Fung Ka Pun	80,000,000 (Note 3)		Founder of a discretionary trust	6.31%
	22,187,592 (Note 4)		Interest of controlled corporations	
	519,081	240,000 (Note 6)	Beneficial owner	
	3,444,313		Interest of spouse	
UBS AG	121,246,000		Beneficial owner	7.19%

Notes:

1. TRXY Development (HK) Limited has controlling interest in Real Power Holdings Limited, which held 256,752,676 shares in the Company as at 31 March 2010, representing approximately 15.23% of the issued share capital of the Company. As at 31 March 2010, Real Power Holdings Limited was also interested in convertible notes issued by the Company on 25 January 2010 in the aggregate principal amount of US$72,484,448.17 which were convertible into 638,447,961 shares, representing approximately 37.86% of the issued share capital of the Company

2. Ms. Li Shao Yu has controlling interest in TRXY Development (HK) Limited which, in turn, has controlling interest in Real Power Holdings Limited.

3. These 80,000,000 shares are held by Gainbest Investments Limited which is a company wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust set up by Mr. Fung Ka Pun, the spouse of Ms. Choi Hon Hing, of which the discretionary objects include but not limited to Ms. Choi Hon Hing, Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne.

4. Mr. Fung Ka Pun has beneficial interests in Bo Hing and Goodwill International (Holdings) Limited, which were interested in 5,581 shares and 22,182,011 shares in the Company respectively as at 31 March 2010, representing approximately 1.32% of the issued share capital of the Company.

5. As at 31 March 2010, TRXY Development (HK) Limited was also interested in convertible notes in the aggregate principal amount of US$19,024,714.79, which were convertible into 167,570,985 shares, representing approximately 9.94% of the issued share capital of the Company.

6. These interests represented the interests in underlying shares in respect of share options granted by the Company to Mr. Fung Ka Pun as beneficial owner under the Post-Listing Scheme adopted on 16 May 2006, the details of which are set out in the details of movements in the share options in note 39 to the consolidated financial statements.

7. Mr. Fung Ka Pun was appointed as the Executive Director, Acting and Vice Chairman of the Company with effect from 1 April 2010.

Other than as disclosed above, as at 31 March 2010, no person (other than Directors) has interests or short positions in the shares and underlying shares of the Company which were recorded in the Register of Substantial Shareholders maintained under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the consolidated financial statements for the year ended 31 March 2010, no contracts of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above and the option holding disclosed in note 39 to the consolidated financial statements, at no time during the year under review was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 ended 31 March 2010.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2010, the aggregate sales attributable to the Group's largest customer and five largest customers respectively accounted for approximately 32.1% and 66.3% of the Group's total revenue for the year under review. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers respectively accounted for approximately 11.8% and 44.1% of the Group's total purchases for the year under review.

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

EMOLUMENT POLICY

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

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

CONNECTED TRANSACTIONS

During the year ended 31 March 2010, the Company did not have any material connected transactions which were subject to the requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and to the best of the knowledge of the Directors.

AUDIT COMMITTEE

The Audit Committee, comprising three Independent Non-Executive Directors, has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year.

AUDITOR

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

On behalf of the Board

Fung Ka Pun
Acting and Vice Chairman

Hong Kong
21 July 2010

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on a quality board of Directors (the "Board"), sound internal control, transparency and accountability to all shareholders of the Company.

For the year ended 31 March 2010, the Company has applied the principles of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with the CG Code, save for the deviation from Code Provision A.2.1 of the CG Code.

This report describes the Group's corporate governance practices and explains the said deviation from the CG Code.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for the oversight of the Group's business management, strategic decisions, performance and affairs with the objective of enhancing shareholders' interest.

As at the date of this report, the Board comprises three Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors whose biographical details are set out on pages 5 and 6 of this annual report.

The Board comprises:

Executive Directors:

Mr. Fung Ka Pun (appointed on 1 April 2010)
Mr. Ng Cheuk Fan, Keith (appointed on 1 September 2009)
Mr. Mak Yiu Tong (appointed on 7 May 2010)

Non-Executive Directors:

Ms. Fung Wing Ki, Vicky (re-designated from executive director with effect from 17 July 2009)
Mr. Mok Chiu Kuen (appointed on 1 September 2009)

Independent Non-Executive Directors:

Dr. Tam Hok Lam, Tommy, *J.P.*
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul

The Board, led by the Chairman of the Company ("the Chairman"), is collectively responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans, evaluating the performance of the Group and overseeing the management of the Company. The Chairman ensures the Board to work effectively and discharge its responsibilities. All Directors (including all Independent Non-Executive Directors) have been consulted on all major and material matters of the Company. With the support of the Company Secretary of the Company ("Company Secretary"), the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The Board has at least four formal meetings a year at quarterly intervals and meets as and when required. Directors are given written notice of regular meetings at least 14 days in advance and agenda with supporting Board papers no less than 3 days prior to the meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

The attendance of the Directors at the Board meetings for the year ended 31 March 2010 is set out as follows:

	Number of meetings attended/held
Executive Directors:	
Ms. Choi Hon Hing	10/10
Ms. Fung Wing Yee, Wynne	9/10
Mr. Ng Cheuk Fan, Keith	7/7
Non-Executive Directors:	
Ms. Fung Wing Ki, Vicky	10/10
Mr. Mok Chiu Kuen	5/7
Independent Non-Executive Directors:	
Dr. Tam Hok Lam, Tommy, *J.P.*	10/10
Dr. Hui Ka Wah, Ronnie, *J.P.*	9/10
Mr. Leung Man Chun, Paul	9/10
Average attendance rate	93%

All Board members have full access to relevant information both at the meetings and at regular intervals.

Board minutes are kept by the Company Secretary and are circulated to the Directors and are open for inspection by the Directors.

The Company Secretary shall provide professional advice and information to the Directors. In addition, the Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board may resolve to provide appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of legal action arising from the business of the Group against its Directors.

Pursuant to Rule 3.10 of the Listing Rules, every listed issuer is required to have at least three Independent Non-Executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company, with three Independent Non-Executive Directors, which represented more than one-third of the total Board members; and more than one of them has appropriate professional qualifications in accounting or related financial management expertise, is complied with Rule 3.10 of the Listing Rules.

Each of the Independent Non-Executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet with the guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines. Review will be made regularly on the Board's composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Group.

Each of the Independent Non-Executive Directors has been appointed by the Company for a term of three years starting from 30 March 2009.

Pursuant to the articles of association of the Company, one-third of the Directors will retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at least once every three years, which complies with the Code Provision A.4.2 of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not separate the roles of the chairman and chief executive officer. During the year of 2009/2010, Ms. Choi Hon Hing, the Chairman (resigned on 1 April 2010), assumed the role of chief executive officer and was responsible for the overall control and management of the Company and the Group. The Company considered that the combination of the roles of chairman and chief executive officer could promote the efficient formulation and implementation of the Company's strategies which would enable the Group to capture business opportunities efficiently and promptly. The Company considered that through the supervision of its Board and its Independent Non-Executive Directors, a balancing mechanism exists so that the interests of the shareholders of the Company have been adequately represented.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has made specific enquiry to all Directors and all Directors confirmed that they have fully complied with the required standard set out in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the finance department of the Company which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner. The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements for the year ended 31 March 2010 is set out in the Independent Auditor's Report on pages 35 and 36 of this annual report.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Group's assets.

Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; for the reliability of financial information used within the business or for publication; and for ensuring the compliance with the relevant legislations and regulations.

The Board also reviews and monitors the effectiveness of the internal control system regularly to ensure that the policies and procedures in place are adequate.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The key procedures that the Board has established to provide effective internal controls are as follows:

– A comprehensive monthly management reporting system providing financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purposes is in place;

– Business plans and budgets are prepared annually by each individual business unit and subject to review and approval by both the senior management and the Executive Directors. Monthly reporting of significant variances between actual and budgeted figures is done to identify, evaluate and report on the likelihood and potential financial impact of significant business risks;

– Management structure with defined roles, responsibilities and reporting lines are established. Delegated authorities are documented and communicated; and

– Systems and procedures are in place to identify, measure, manage and control all risks that may have impact on the Group.

The Board, through the audit committee of the Company (the "Audit Committee"), has conducted a review on the effectiveness of the Group's internal control system for the year ended 31 March 2010 including financial, operational and compliance controls and risk management processes. The Board, through the review by the Audit Committee, is satisfied that the Group has fully complied with the code provisions on internal controls during the year under review as set forth in the CG Code.

AUDIT COMMITTEE

The Company established an Audit Committee on 16 May 2006 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are consistent with the code provisions as set out in the CG Code and are available on the Company's website.

The Audit Committee comprises three Independent Non-Executive Directors, namely:

Dr. Tam Hok Lam, Tommy, *J.P. (Chairman of Audit Committee)*
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul

The chairman of the Audit Committee possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. In fact, all members of the Audit Committee have diversified professional experience in accounting and/or finance.

The principal duties of the Audit Committee are to review and to supervise the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the group audit. Meetings shall be held at least twice a year. Additional meetings should be held if the Audit Committee shall so request. The attendance of the Directors at the meetings for the year ended 31 March 2010 is set out as follows:

	Number of meetings attended/held
Independent Non-Executive Directors:	
Dr. Tam Hok Lam, Tommy, *J.P.*	3/3
Dr. Hui Ka Wah, Ronnie, *J.P.*	3/3
Mr. Leung Man Chun, Paul	3/3
Average attendance rate	100%

The Audit Committee has reviewed the audited accounts and final results announcement for the year ended 31 March 2010 and the interim report and the interim results announcement for the six months ended 30 September 2009. It also reviewed and recommended to the Board for approval of the audit fee proposal for the Group for the year ended 31 March 2010.

For the year ended 31 March 2010, the Group paid Deloitte Touche Tohmatsu, the external auditor of the Group, HK$980,000 and HK$632,000 as audit fees and non-audit related fees respectively.

NOMINATION COMMITTEE

The Company set up a nomination committee (the "Nomination Committee") on 31 August 2009 for the purpose of assisting the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing performance and skills of the Directors. The terms of reference of the Nomination Committee are consistent with the recommended best practices as set out in the CG Code and are available on the Company's website.

The Nomination Committee comprises two Independent Non-Executive Directors and the Chairman, namely:

Ms. Choi Hon Hing (Chairman of the Nomination Committee, resigned on 1 April 2010)
Mr. Fung Ka Pun (appointed as Chairman of the Nomination Committee on 1 April 2010)
Dr. Tam Hok Lam, Tommy, *J.P.*
Dr. Hui Ka Wah, Ronnie, *J.P.*

One committee meeting was held during the year of 2009/2010 with an attendance rate of 100%.

REMUNERATION COMMITTEE

The Company set up a remuneration committee (the "Remuneration Committee") on 16 May 2006 for the purpose of ensuring that there are formal and transparent procedures for setting up policies in respect of the remuneration of Directors and senior management. The Remuneration Committee consists of four members, including three Independent Non-Executive Directors and the Chairman, namely:

Dr. Tam Hok Lam, Tommy, *J.P. (Chairman of the Remuneration Committee)*
Dr. Hui Ka Wah, Ronnie, *J.P.*
Mr. Leung Man Chun, Paul
Ms. Choi Hon Hing (resigned on 1 April 2010)
Mr. Fung Ka Pun (appointed on 1 April 2010)

The Remuneration Committee is chaired by Dr. Tam Hok Lam, Tommy, *J.P.*. Meetings shall be held at least once a year. Additional meetings should be held if the Remuneration Committee shall so request. The attendance of the members at the meeting for the year ended 31 March 2010 is set out as follows:

	Number of meetings attended/held
Executive Director:	
Ms. Choi Hin Hing	3/3
Independent Non-Executive Directors:	
Dr. Tam Hok Lam, Tommy, *J.P.*	3/3
Dr. Hui Ka Wah, Ronnie, *J.P.*	3/3
Mr. Leung Man Chun, Paul	3/3
Average attendance rate	100%

The Remuneration Committee is governed by the terms of reference of the Remuneration Committee which is consistent with the terms as set out in the CG Code. The Remuneration Committee has complied with the terms of reference of the Remuneration Committee for the year ended 31 March 2010. The said terms of reference are available on the Company's website. No Director is involved in deciding his own remuneration.

The remuneration of the Directors and the five highest paid individuals are set out in notes 13 and 14 respectively to the consolidated financial statements.

INVESTMENT COMMITTEE

The Company's investment committee (the "Investment Committee") was set up in May 2006 to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee comprises three members including the Chairman of the Company, a Director and the financial controller of the Company, and all investment management and control were performed by such Investment Committee. The Group has formalized an investment policy detailing the investment objective, decision making, monitoring and risk assessment on the investments to ensure they are in line with the investment strategy of the Group.

EXECUTIVE COMMITTEE

An Executive Committee was set up on 10 June 2010 and comprises all Executive Directors. As at the date of this report, the members of the Executive Committee include Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Mr. Mak Yiu Tong and the Chairman of the Executive Committee is Mr. Fung Ka Pun. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to provide useful information of the Group to the shareholders through the publication of notices, announcements, circulars, interim and annual reports. Furthermore, additional information can be accessed via the Group's website (www.haotianhk.com).

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, to use annual general meetings or other general meetings to communicate with shareholders directly.

At the 2009 annual general meeting:

(i) A separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

(ii) The Chairman of the Board, the members of the Audit Committee and Remuneration Committee attended to answer questions of shareholders.

(iii) The procedures for demanding a poll by the shareholders were incorporated in the annual general meeting circular of the Company dated 23 July 2009 in relation to the general mandates to issue and repurchase shares and re-election of Directors.

The 2010 annual general meeting will be held in September 2010. Shareholders shall refer to the 2010 annual general meeting circular which will be dispatched to them around end of July 2010 for further details.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

TO THE MEMBERS OF HAO TIAN RESOURCES GROUP LIMITED

(FORMERLY KNOWN AS WINBOX INTERNATIONAL (HOLDINGS) LIMITED)

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hao Tian Resources Group Limited (formerly known as Winbox International (Holdings) Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 123, which comprise the consolidated statement of financial position as at 31st March, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 our agreed terms of engagements 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21st July, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Revenue	7	**97,029**	166,505
Cost of sales		**(85,641)**	(128,560)
Gross profit		**11,388**	37,945
Other income, gain and loss	9	**8,509**	(451)
Distribution and selling costs		**(2,347)**	(3,708)
Administrative expenses		**(28,293)**	(28,622)
Change in fair value of investments held for trading		**4,003**	(7,941)
Change in fair value of derivative financial instruments		**(30,974)**	855
Impairment loss recognised in respect of available-for-sale investments		**(780)**	(19,076)
Impairment loss recognised in respect of property, plant and equipment and investment property		**(912)**	(185)
Impairment loss recognised in respect of goodwill	22	**(421,732)**	–
Finance costs	10	**(6,886)**	(157)
Loss before taxation		**(468,024)**	(21,340)
Taxation	11	**(1,385)**	(1,531)
Loss for the year attributable to owners of the Company	12	**(469,409)**	(22,871)
Other comprehensive income			
Exchange difference on translation of foreign operations		**1,045**	(5,203)
Available-for-sale investments:			
– fair value changes during the year		**853**	5,627
– reclassified adjustment to profit or loss on disposal		**(130)**	–
Other comprehensive income for the year, net of tax		**1,768**	424
Total comprehensive income for the year attributable to owners of the Company		**(467,641)**	(22,447)
Loss per share			
– Basic and diluted (HK cents)	16	**(74.65)**	(5.57)

Consolidated Statement of Financial Position

At 31st March, 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	**67,415**	14,847
Prepaid lease payments	18	**28,686**	3,382
Investment property	19	**1,058**	1,090
Goodwill	20	**–**	10,523
Mining rights	21	**1,903,116**	–
Available-for-sale investments	23	**21,457**	34,156
Pledged bank deposits	24	**–**	5,317
Deposits for acquisition of property, plant and equipment		**79,286**	–
Deferred tax assets	25	**205**	205
		2,101,223	69,520
Current assets			
Inventories	26	**21,189**	29,417
Trade receivables	27	**8,915**	15,876
Bills receivable	27	**399**	1,557
Other receivables, deposits and prepayments	27	**10,216**	12,112
Investments held for trading	28	**303**	12,500
Prepaid lease payments	18	**1,081**	–
Tax recoverable		**1,641**	2,388
Restricted bank deposits	29	**54,586**	–
Bank balances and cash	27	**302,671**	54,659
		401,001	128,509
Current liabilities			
Trade payables	30	**5,901**	6,700
Other payables, deposits received and accruals	30	**148,485**	12,802
Bank borrowing	31	**9,080**	–
Tax payable		**2,078**	373
		165,544	19,875
Net current assets		**235,457**	108,634
Total assets less current liabilities		**2,336,680**	178,154
Non-current liabilities			
Retirement benefits obligations	32	**1,138**	1,057
Convertible notes	33	**369,294**	–
Embedded derivatives	33	**392,765**	–
Deferred tax liabilities	25	**475,201**	–
		1,238,398	1,057
Net assets		**1,098,282**	177,097
Capital and reserves			
Share capital	34	**84,309**	20,574
Reserves	35	**1,013,973**	156,523
Equity attributable to owners of the Company		**1,098,282**	177,097

The consolidated financial statements on pages 37 to 123 were approved and authorised for issue by the Board of Directors on 21st July, 2010 and are signed on its behalf by:

Fung Ka Pun
DIRECTOR

Ng Cheuk Fan, Keith
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2010

	Share capital HK$'000	Share premium HK$'000	Statutory surplus reserve HK$'000 (note a)	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Special reserve HK$'000 (note b)	Translation reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total equity attributable to owners of the Company HK$'000
At 1st April, 2008	20,281	2,514	2,100	3,094	(3,711)	(5,754)	13,659	175,228	207,411
Loss for the year	–	–	–	–	–	–	–	(22,871)	(22,871)
Other comprehensive income	–	–	–	–	5,627	–	(5,203)	–	424
Total comprehensive income for the year	–	–	–	–	5,627	–	(5,203)	(22,871)	(22,447)
Issue of new shares due to exercise of share options	293	1,026	–	–	–	–	–	–	1,319
Transfer upon exercise of share options	–	1,531	–	(1,531)	–	–	–	–	–
Transfer	–	–	181	–	–	–	–	(181)	–
Recognition of equity-settled share-based payments	–	–	–	1,101	–	–	–	–	1,101
Dividend paid (note 15)	–	–	–	–	–	–	–	(10,287)	(10,287)
At 31st March, 2009	20,574	5,071	2,281	2,664	1,916	(5,754)	8,456	141,889	177,097
Loss for the year	–	–	–	–	–	–	–	(469,409)	(469,409)
Other comprehensive income	–	–	–	–	723	–	1,045	–	1,768
Total comprehensive income for the year	–	–	–	–	723	–	1,045	(469,409)	(467,641)
Issue of new shares due to exercise of share options	462	2,332	–	–	–	–	–	–	2,794
Issue of new shares upon placing	27,710	670,602	–	–	–	–	–	–	698,312
Issue of new shares for acquisition of subsidiaries (note 36)	16,185	387,634	–	–	–	–	–	–	403,819
Issue of new shares upon conversion of convertible notes (note 33)	19,378	297,836	–	–	–	–	–	–	317,214
Transaction costs attributable to issue of new shares upon placing	–	(28,560)	–	–	–	–	–	–	(28,560)
Transfer upon exercise of share options	–	2,469	–	(2,469)	–	–	–	–	–
Transfer	–	–	1,258	–	–	–	–	(1,258)	–
Recognition of equity-settled share-based payments	–	–	–	275	–	–	–	–	275
Dividend paid (note 15)	–	–	–	–	–	–	–	(5,028)	(5,028)
At 31st March, 2010	**84,309**	**1,337,384**	**3,539**	**470**	**2,639**	**(5,754)**	**9,501**	**(333,806)**	**1,098,282**

Notes:

(a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, a subsidiary, Winbox Plastic Manufacturing (Shenzhen) Company Limited ("Winbox Plastic Manufacturing (Shenzhen)") established in the PRC shall set aside 10% of its net profit after taxation to the statutory surplus reserve. During the year ended 31st March, 2010, the board of directors of Winbox Plastic Manufacturing (Shenzhen) approved the transfer of approximately HK$1,258,000 (2009: HK$181,000) from retained profits to the statutory surplus reserve, which representing 10% of the accumulated net profit after taxation (as determined in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC) for the years ended 31st March, 2002, 2003 and 2007 (2009: for the period from 1st January, 2004 (date of establishment) to 31st December, 2006). The reserve fund can only be used, upon approval by the board of directors of Winbox Plastic Manufacturing (Shenzhen) and by the relevant authority, to offset accumulated losses or increase capital.

(b) Special reserve of HK$5,754,000 represents the difference between the nominal amount of share capital issued by Winbox (BVI) Limited and the Company and the nominal amount of the share capital of the acquired subsidiaries and Winbox (BVI) Limited respectively arisen from a group reorganisation occurred in prior years.

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	2010	2009
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(468,024)**	(21,340)
Adjustments for:		
Dividend income from available-for-sale investments	**(847)**	(59)
Interest income	**(481)**	(2,329)
Finance costs	**6,886**	157
Depreciation of property, plant and equipment and investment property	**1,909**	1,650
Release of prepaid lease payments	**275**	87
Share-based payments	**275**	1,101
Gain on disposal of available-for-sale investments	**(6,738)**	–
Change in fair value of investments held for trading	**(4,003)**	7,941
Change in fair value of derivative financial instruments	**30,974**	(855)
Impairment loss recognised in respect of goodwill	**421,732**	–
Impairment loss recognised in respect of available-for-sale investments	**780**	19,076
Impairment loss recognised in respect of property, plant and equipment and investment property	**912**	185
Operating cash flows before movements in working capital	**(16,350)**	5,614
Decrease in inventories	**8,617**	3,465
Decrease in trade receivables	**7,026**	9,518
Decrease (increase) in bills receivable	**1,185**	(1,072)
Decrease in other receivables, deposits and prepayments	**6,280**	5,962
Decrease in investments held for trading	**16,200**	9,128
Decrease in trade payables	**(837)**	(7,384)
Increase (decrease) in other payables, deposits received and accruals	**7,545**	(5,890)
Cash generated from operations	**29,666**	19,341
Income tax refund (paid)	**1,024**	(3,274)
NET CASH FROM OPERATING ACTIVITIES	**30,690**	16,067

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	NOTE	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,178)**	(770)
Purchases of available-for-sale investments		**(613)**	(20,474)
Proceeds from disposal of available-for-sale investments		**19,993**	1,904
Cash return from available-for-sale investment due to capital reduction		**–**	1,113
Interest received		**481**	1,939
Dividends received from available-for-sale investments		**847**	59
Decrease (increase) in pledged bank deposits		**5,317**	(5,317)
Acquisition of subsidiaries	36	**(192,457)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(168,610)**	(21,546)
FINANCING ACTIVITIES			
Dividend paid		**(5,028)**	(10,287)
Interest paid		**(121)**	(157)
Repayment of borrowing		**–**	(4,853)
Proceeds from exercise of share options		**2,794**	1,319
Transaction costs attributable to issue of new shares upon placing		**(28,560)**	–
Decrease in other payables, deposits received and accruals		**(282,240)**	–
Proceeds from placement of new shares		**698,312**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**385,157**	(13,978)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**247,237**	(19,457)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**54,659**	75,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**775**	(1,448)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY			
Bank balances and cash		**302,671**	54,659

1. GENERAL

The Company was incorporated in the Cayman Islands on 30th September, 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is a public limited company 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 "Corporation Information" section to the annual report.

Pursuant to the special resolution of the Company dated 7 May, 2010, the name of the Company has been changed from Winbox International (Holdings) Limited to Hao Tian Resources Group Limited with effect from 7 May, 2010.

The principal activities of the Company are investment holding and provision of management service to its subsidiaries. The principal activities of its subsidiaries are set out in note 43.

On 1st September, 2009, Win Team Investments Limited ("Win Team"), a wholly owned subsidiary of the Company entered into a sale and purchase agreement ("S&P Agreement") with Real Power Holdings Limited and TRXY Development (HK) Limited (collectively referred to as the "Vendors"), both of which are independent third parties, to acquire the entire issued share capital of Merrymaking Investments Limited and Pleasing Results Limited (the "Acquisitions"), which are investment holding company with its subsidiaries principally engaged in coal mining business in Inner Mongolia Autonomous Region, the PRC. The transaction was completed on 25th January, 2010 (the "Completion Date"). Details of the Acquisitions are set out in note 36.

The Group's consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. 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) 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 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.

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

New and revised HKFRSs affecting presentation and disclosure only

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.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's operating segments *(see note 8)* and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

Standards and interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Amendment 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 right 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 payments 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 Amendments that are 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.

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

Standards and interpretations in issue but not yet effective (continued)

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 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.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explains in the accounting policies set out below.

The consolidated financial statements have been prepared 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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 or 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combinations. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a subsidiary is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 and sales related taxes.

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

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.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than freehold land and construction in progress) 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, other than freehold land, construction in progress and mining structures, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserves as the depletion base.

Freehold land is carried at cost less any recognised impairment loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the 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 year in which the item is derecognised.

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. When an owner-occupied property becomes an investment property, the cost and accumulated depreciation of the owner-occupied property at the date of transfer are transferred to investment property. 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 residual values, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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 profit or loss in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating leases are recognised as expenses 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.

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 exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose 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. HK$) 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). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

The Group also operates a defined benefit retirement benefit plan. The cost of providing benefits is dependent on the length of services and the obligation arises when the services are rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time of which payment is expected to be made.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

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 and 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, and 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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

Mining rights

Mining rights 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 finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on the units of production method utilising only recoverable coal reserves as the depletion base. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-financial assets other than goodwill below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on non-financial assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an 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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Financial assets at FVTPL

Financial assets at FVTPL of the Group comprise of investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

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 receivables, bills receivable, other receivables, deposits, pledged bank deposits, restricted bank deposits and bank balances and cash) 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in asset revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in asset revaluation reserve is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 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 of 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in asset revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed to profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity *(continued)*

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.

Interest expense is recognised on an effective interest basis.

Convertible notes contains liability component and conversion option derivative

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than 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 a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. 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 loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, deposits received and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity *(continued)*

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

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, with a corresponding increase in equity (share option 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 option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained profits.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill 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 cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2010, the carrying amount of goodwill is fully impaired with impairment loss of approximately HK$421,732,000 (2009: nil) recognised. Details of the recoverable amount calculation are disclosed in note 22.

Renewal of mining right permits

The Group's mining right permits will be expired in December 2010, the renewal is subject to the approval by the relevant PRC authority. In addition, the Group is in the process to carry out various technical and quality improvements at the Group's coal mine to attain the safety standard in accordance with the new regulations imposed by the PRC authority in 2009. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group is able to continuously renew its mining rights at minimal costs before its expiry and as the directors expect that the technical and quality improvements works will be completed in 2010, these technical and quality improvements works will have no adverse impact to the renewal of the mining rights permits.

When determining the fair value of the mining rights at business combination and when considering the impairment of the mining rights, the directors estimate the cash flow generated from the relevant cash generating unit on the basis that the Group is able to fully utilise all the ore resources in a period of 23 to 24 years (see note 22).

In addition, when considering the impairment of the Group's mining structures, the directors did not take into account the possibility of non-renewal of mining right permits.

If the Group is not able to obtain approval for renewal in December 2010 and each future expiry dates, the fair value of the mining rights of approximately HK$1,903,116,000 might be significant reduced and the Group will increase amortisation charges of mining rights and depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down the carrying amount of the mining rights and mining structures, which significant impairment loss might be recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimation of coal reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgment in estimating the total proved and probable reserves of the ore mines. If the quantities of reserves are different from current estimates, it will result in a material impairment loss in respect to the mining rights and mining structures.

Fair value of convertible bonds and embedded derivative financial instruments

The directors use their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of convertible bonds and its embedded derivatives, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see note 33 for details).

5. 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 debt, which include bank borrowing disclosed in note 31, convertible notes disclosed in note 33 and equity attributable to owners of the Company, comprising issued share capital, reserves and set off with accumulated loss.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of cash dividends, new share issues, as well as the issue of new debts or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Financial assets at FVTPL		
– Held for trading	**303**	12,500
Loans and receivables (including cash and cash equivalents)	**373,626**	86,858
Available-for-sale investments	**21,457**	34,156
	395,386	133,514
Financial liabilities		
Financial liabilities at FVTPL		
– Embedded derivatives	**392,765**	–
Amortised cost	**532,760**	19,502
	925,525	19,502

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, bills receivable, other receivables, pledged bank deposits, restricted bank deposits, bank balances and cash, trade payables, other payables and accruals, bank borrowing, available-for-sale investments, investments held for trading, convertible notes and embedded derivatives. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk from prior year.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities excluding intra-group balances at the reporting date are as follows:

	Assets		**Liabilities**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**175,177**	–	**327**	–
United States Dollars ("US$")	**74,511**	33,374	**762,289**	710
Euro	**6,550**	9,335	**6**	92
Australian Dollars	**60**	6,028	**–**	–
Others	**1,180**	2,437	**93**	248

In addition, as at 31st March, 2010, the directors considered that the Group's exposure to foreign currency risk arisen from intra-group loan from foreign operation of approximately HK$33,292,000 (2009: intra-group loans to foreign operation of approximately HK$23,432,000), which were not denominated in the functional currency of the Company. These intra-group loans do not form part of the Group's net investment in foreign operations.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Foreign currency risk management (continued)

Sensitivity analysis

The directors considered that, as HK$ is pegged to US$, the subsidiaries with HK$ as functional currency are not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and hence only consider the sensitivity of the change in foreign exchange rate of HK$ against currencies other than US$. 5% is the sensitivity rate used by directors in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis below demonstrated the effect of the foreign exchange differences by 5% change in exchange rate of the functional currencies against the relevant foreign currencies of the Company and respective subsidiaries, other than US$, assuming all other variables were held constant. A positive number below indicates a decrease in post-tax loss where the functional currencies weaken 5% against the relevant foreign currencies of the Company and respective subsidiaries, other than US$. For a 5% strengthening of the functional currencies of the Company and respective subsidiaries, there would be an equal and opposite impact on the loss for the year.

	2010	2009
	HK$'000	HK$'000
Decrease in loss for the year	**10,825**	1,602

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank balances, restricted bank deposits, pledged bank deposits and bank borrowing carried prevailing market interest rate. The interest rate risk on bank balances, restricted bank deposits, pledged bank deposits and bank borrowing are limited because of the short maturity. In the opinion of the directors, the expected change in interest rate on bank deposits will not have a significant change in the coming year, hence sensitivity analysis is not disclosed.

The Group is also exposed to fair value interest rate risk in relation to convertible notes as at 31st March, 2010.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Price risk management

Price risk on debt and equity securities

The Group is exposed to other price risk through its available-for-sale investments and investments held for trading. The directors of the Company manage the exposure by maintaining a portfolio of equity investments with different risk profiles.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Price risk management (continued)

Price risk on debt and equity securities (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to other price risks at the end of the reporting period. The sensitivity analysis included those available-for-sale investments and held for trading investments carried at fair values. For available-for-sale investments measured at cost less impairment as the fair value could not be measured reliably, they have not been included in the sensitivity analysis. If the prices of the respective available-for-sale investments and held for trading investments had been 10% higher, assuming all other variables were held constant, the impact to the Group would be:

	2010	2009
	HK$'000	HK$'000
Decrease in loss for the year	**30**	1,250
Increase in other comprehensive income for the year	**408**	1,377

If the prices of respective available-for-sale investments and held for trading investments had been 10% lower, assuming all other variables were held constant, the impact to the Group would be:

	2010	2009
	HK$'000	HK$'000
Increase in loss for the year	**30**	2,627
Decrease in other comprehensive income for the year	**408**	–

10% change in price represents the directors' assessment of the reasonably possible change in price.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Price risk on embedded conversion option

The Group is required to estimate the fair value of the conversion option embedded in the convertible notes at the end of the reporting period with changes in fair value to be recognised in the profit or loss as long as the convertible notes are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Company's share price risk at the reporting date only. If the Company's share price had been 10% higher/lower and all other variables were held constant, the Group's post-tax loss for the year (as a result of changes in fair value of conversion option component of convertible notes) would increase/decrease by approximately HK$47,296,000.

In directors' opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk in respect of the trade receivables. As at 31st March, 2010 and 2009, five customers comprised over 75% of the Group's trade receivables respectively. In order to minimise the credit risk, the Group has 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.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk *(continued)*

During the year, the Group recognised impairment loss in respect of available-for-sale investments of HK$780,000, due to the increase in default risk of the counterparty. Details are set out in note 23.

The Group has a concentration of credit risk on liquid funds deposited with a few major banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities (including embedded derivatives of the convertible notes). It 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 effective interest rate %	Between 1 to 3 months HK$'000	Between 4 to 12 months HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 March HK$'000
2010						
Trade payables	-	5,901	-	-	5,901	5,901
Other payables, deposits received and accruals	-	148,485	-	-	148,485	148,485
Bank borrowing	7.965	181	9,442	-	9,623	9,080
Convertible notes	8.520	-	-	709,297	709,297	762,059
		154,567	9,442	709,297	873,306	925,525

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

	Weighted average effective interest rate %	Between 1 to 3 months HK$'000	Between 4 to 12 months HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 March HK$'000
2009						
Trade payables	–	6,700	–	–	6,700	6,700
Other payables, deposits received and accruals	–	12,802	–	–	12,802	12,802
		19,502	–	–	19,502	19,502

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of held-for-trading investments and available-for-sale investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of club debentures is determined by reference to the quoted prices in the secondary markets;

- the fair value of option-based derivative instruments (embedded derivative as included in convertible notes), is estimated using option pricing model; and

- the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors 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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31st March, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities at FVTPL				
Embedded conversion option of convertible notes	–	–	392,765	392,765
Available-for-sale investments	1,367	6,610	–	7,977
Investment held for trading	303	–	–	303
	1,670	6,610	392,765	401,045

There were no transfer between Level 1 and 2 in the current year.

Reconciliation of level 3 fair value measurements of financial liabilities

	HK$'000
At 1st April, 2009	–
Issued during the year	500,339
Conversion during the year	(138,548)
Total gain or loss	
– Change in fair value	30,974
At 31st March, 2010	**392,765**

7. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less sales tax and sales returns during the year. An analysis of the Group's revenue for the year is as follows:

	2010	2009
	HK$'000	HK$'000
Sale of plastic and paper boxes for luxury consumer goods	**96,968**	166,505
Sale of coal	**61**	–
	97,029	166,505

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April, 2009. HKFRS 8 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, represented by the board of directors, in order to allocate resources to segments and to assess their performance.

In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") requires an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segment (based on location of customers). However, information reported to the chief operating decision maker for the purpose of resources allocation and performance assessment focuses more specifically on the operation of individual subsidiary or group of subsidiaries, which are engaged in manufacturing and sale of plastic and paper boxes for luxury consumer goods in different countries.

8. SEGMENT INFORMATION (continued)

During the year ended 31st March, 2010, the Group acquired subsidiaries which mainly engage in developing of underground coking coal mine, coal production and sale of coal in the PRC. The directors of the Company considered the acquired subsidiaries as a separate operating segment, as a result, an additional segment on coal mining operation has been presented.

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

(1) Sale of plastic and paper boxes for luxury consumer goods:

- (i) France Operation – Dardel S.A.S. ("Dardel")

- (ii) China Operation – Winbox Company Limited, Winbox Plastic Manufacturing (Shenzhen), First Light Investments Limited and Winpac Trading Co. Limited

(2) Developing of underground coking coal mine, coal production and sale of coal:

- (iii) Coal Mining Operation – Tianyu Coal Company Limited and Tianyu Gongmao Company Limited

Information regarding the above segment is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

8. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31st March, 2010

	Sale of plastic and paper boxes for luxury consumer goods France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Revenue	**25,156**	**71,812**	**61**	**97,029**
Segment results	**(11,971)**	**(8,882)**	**(412,987)**	**(433,840)**
Other income, gain and loss				**8,509**
Central administration costs				**(8,056)**
Change in fair value of investments held for trading				**4,003**
Change in fair value of derivatives financial instruments				**(30,974)**
Impairment loss recognised in respect of available-for-sale investments				**(780)**
Finance costs				**(6,886)**
Loss before taxation				**(468,024)**

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31st March, 2009

	Sale of plastic and paper boxes for luxury consumer goods France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Revenue	30,390	136,115	–	166,505
Segment results	2,885	18,012	–	20,897
Other income, gain and loss				(451)
Central administration costs				(15,467)
Change in fair value of investments held for trading				(7,941)
Change in fair value of derivative financial instruments				855
Impairment loss recognised in respect of available-for-sale investments				(19,076)
Finance costs				(157)
Loss before taxation				(21,340)

All of the segment revenue reported for both years were from external customers. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit or loss earned by each segment without allocation of other income, gain and loss, central administration costs, change in fair value of investments held for trading, derivative financial instruments, impairment loss recognised in respect of available-for-sale investments and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

At 31st March, 2010

	Sale of plastic and paper boxes for luxury consumer goods			
	France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Segment assets	**13,006**	**27,969**	**2,122,235**	**2,163,210**
Property, plant and equipment				**10,326**
Prepaid lease payments				**3,296**
Available-for-sale investments				**21,457**
Investments held for trading				**303**
Bank balances and cash				**302,671**
Other assets				**961**
Consolidated total assets				**2,502,224**
Segment liabilities	**4,774**	**13,334**	**603,659**	**621,767**
Bank borrowing				**9,080**
Tax payable				**2,078**
Convertible notes				**369,294**
Embedded derivatives				**392,765**
Other liabilities				**8,958**
Consolidated total liabilities				**1,403,942**

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31st March, 2009

	Sale of plastic and paper boxes for luxury consumer goods			
	France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Segment assets	18,724	45,847	–	64,571
Property, plant and equipment				10,490
Prepaid lease payments				3,382
Available-for-sale investments				34,156
Investments held for trading				12,500
Pledged bank deposits				5,317
Bank balances and cash				54,659
Other assets				12,954
Consolidated total assets				198,029
Segment liabilities	5,364	14,278	–	19,642
Tax payable				373
Other liabilities				917
Consolidated total liabilities				20,932

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

- all assets are allocated to operating segments, other than property, plant and equipment and prepaid lease payments for Group administrative purpose, available-for-sales investments, investments held for trading, pledged bank deposits, bank balances and cash and other assets including prepayments for corporate administration costs.

- all liabilities are allocated to operating segments, other than bank borrowing, tax payable, convertible notes, embedded derivatives and other liabilities including other payable and accruals in relation to corporate administration costs.

8. SEGMENT INFORMATION (continued)

Other segment information

	Sale of plastic and paper boxes for luxury consumer goods France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st March, 2010						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	**100**	**1,439**	**2,472,803**	**2,474,342**	**–**	**2,474,342**
Depreciation of property, plant and equipment and investment property (note)	**200**	**1,268**	**262**	**1,730**	**179**	**1,909**
Impairment loss recognised in respect of goodwill	**10,574**	**–**	**411,158**	**421,732**	**–**	**421,732**
Impairment loss recognised in respect of property, plant and equipment	**–**	**912**	**–**	**912**	**–**	**912**
Release of prepaid lease payments (note)	**–**	**–**	**188**	**188**	**87**	**275**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:						
Finance cost	**–**	**–**	**121**	**121**	**6,765**	**6,886**
Taxation (credit) charge	**(356)**	**1,784**	**(43)**	**1,385**	**–**	**1,385**

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

	Sale of plastic and paper boxes for luxury consumer goods France Operation HK$'000	China Operation HK$'000	Coal Mining Operation HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st March, 2009						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	61	709	–	770	–	770
Depreciation of property, plant and equipment and investment property (note)	261	1,241	–	1,502	148	1,650
Impairment loss recognised in respect of investment property	–	185	–	185	–	185
Release of prepaid lease payments (note)	–	–	–	87	87	87
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:						
Finance cost	157	–	–	157	–	157
Taxation charge (credit)	1,620	(89)	–	1,531	–	1,531

Note: Non-current assets excluded available-for-sale investments, pledged bank deposits, deferred tax asset and those property, plant and equipment and prepaid lease payments for administrative purpose. Accordingly, depreciation of property, plant and equipment and release of prepaid lease payments for administrative purpose were excluded.

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's customers are located in Hong Kong, the PRC, North America, Europe and other region.

The Group's revenue from external customers by geographical location of markets, or customer irrespective of the origin of the good/service are detailed below:

	Revenue from external customers	
	2010	2009
	HK$'000	HK$'000
Sale of plastic and paper boxes for luxury goods		
Hong Kong	**31,611**	52,998
France	**28,245**	47,705
Germany	**12,862**	24,024
Italy	**5,062**	2,485
Switzerland	**4,625**	9,920
United Kingdom	**3,401**	8,560
North America	**2,896**	9,687
Other region	**8,266**	11,126
	96,968	166,505
Developing of underground coking coalmine, coal production and sale of coal		
The PRC	**61**	–
Total	**97,029**	166,505

8. SEGMENT INFORMATION (continued)

Geographical information (continued)

The information about the Group's non-current assets by geographic area in which of the assets are located is detailed below:

	Non-current assets (note)	
	2010	2009
	HK$'000	HK$'000
Hong Kong	**11,463**	12,295
The PRC	**2,061,160**	–
France	**6,938**	17,547
	2,079,561	29,842

Note: Non-current assets excluded available-for-sale investments, pledged bank deposits and deferred tax assets.

Information about major customers

Revenue from customers of the year ended 31st March, 2010 and 2009 contributing over 10% of total sales of the Group, each deriving revenue from sales of plastic and paper boxes for luxury consumer goods segment, are as follows:

	2010	2009
	HK$'000	HK$'000
Customer A	**31,124**	51,224
Customer B	**12,169**	22,612
Customer C (note)	**11,836**	N/A

Note: The corresponding revenue did not contribute over 10% of the total sales of the Group in the year ended 31st March, 2009.

Customer A is located in Hong Kong. Customer B and customer C are located in Europe.

9. OTHER INCOME, GAIN AND LOSS

	2010	2009
	HK$'000	HK$'000
Dividend income from listed investments held-for-trading	**–**	766
Dividend income from listed available-for-sale investments	**381**	59
Dividend income from unlisted available-for-sale investments	**466**	–
Gain on disposal of available-for-sale investments	**6,738**	–
Interest earned on bank deposits	**251**	1,376
Interest earned on unlisted available-for-sale investments	**–**	390
Interest earned on listed debt securities held for trading	**230**	563
PRC government tax refund from reinvestment of a subsidiary (note)	**–**	1,540
Net foreign exchange gain (loss)	**252**	(5,757)
Sundry income	**191**	612
	8,509	(451)

Note: According to a letter issued by the PRC local tax authority dated 27th May, 2008, Grant Cast Limited was eligible to receive tax refund of RMB1,362,000 (equivalent to approximately HK$1,540,000) due to the additional investment of HK$18,000,000 made to its subsidiary, Winbox Plastic Manufacturing (Shenzhen), by utilising the dividend from the retained profits of Winbox Plastic Manufacturing (Shenzhen) for the three years ended 31st December, 2006.

10. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on bank borrowing wholly repayable within five years	**121**	157
Imputed interest expense on convertible notes (note 33)	**6,765**	–
	6,886	157

11. TAXATION

	2010	2009
	HK$'000	HK$'000
Current tax:		
Hong Kong	**22**	99
Other jurisdictions	**–**	2,036
	22	2,135
Under(overprovision) in prior years:		
Hong Kong	**2,061**	(399)
Other jurisdictions	**(655)**	–
	1,406	(399)
Deferred tax:		
Current year (note 25)	**(43)**	(205)
Taxation for the year	**1,385**	1,531

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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate is 25% from 1st January, 2008 onwards. Pursuant to the Implementation Regulations of the EIT Law, the Company's wholly owned subsidiary, Winbox Plastic Manufacturing (Shenzhen) is entitled to use a tax rate of 20% for the period from 1 April 2009 to 31 December 2009 and 22% for the period from 1 January 2010 to 31 March 2010 (1.4.2008 to 31.12.2008: 18%; 1.1.2009 to 31.3.2009: 20%), being the applicable tax rate for foreign invested enterprise in the area of Shenzhen Special Economic Zone 深圳經濟特區 for the year.

French profits tax is calculated at 33.3% of the estimated assessable profit of Dardel for both years.

11. TAXATION (continued)

During the year ended 31st March, 2010, the Inland Revenue Department ("IRD") initiated a tax audit on certain group companies and has issued estimated additional assessments for the year of assessment 2003/2004. Total amount of tax demand in respect to these additional tax assessments for these companies is approximately HK$5.4 million, and HK$2.1 million was recognised as income tax expense during the year ended 31st March, 2010. Subsequent to the end of the reporting period, the Group has applied hold over for the full amount and purchased tax reserve certificate of approximately HK$1.3 million. Since the tax audit is still at a fact-finding stage with different views being and will be exchanged with the IRD, in the opinion of the directors, no further provision is required at this stage.

There may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies, depending on the result of the tax audit.

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

	2010	2009
	HK$'000	HK$'000
Loss before taxation	**(468,024)**	(21,340)
Tax at Hong Kong Profits Tax rate of 16.5%	**(77,224)**	(3,521)
Tax effect of expenses not deductible for tax purposes	**77,155**	5,248
Tax effect of income not taxable for tax purposes	**(3,043)**	(940)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**514**	881
Under(overprovision) in respect of prior years	**1,406**	(399)
Tax effect of estimated tax losses not recognised	**2,577**	44
Income tax concession	**–**	33
Deferred tax on withholding tax arise from PRC subsidiary	**–**	185
Taxation for the year	**1,385**	1,531

12. LOSS FOR THE YEAR

	2010	2009
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**980**	780
Cost of inventories recognised as an expense	**85,641**	128,560
Depreciation of property, plant and equipment and investment property	**1,909**	1,650
Release of prepaid lease payments	**275**	87
Operating lease rentals in respect of rented premises	**7,413**	4,775
Staff costs:		
Directors' emoluments (note 13)	**2,062**	2,650
Other staff costs		
– salaries, bonus and other allowances	**40,876**	43,499
– retirement benefit scheme contributions	**3,655**	4,345
– share-based payments	**136**	498
	46,729	50,992

13. DIRECTORS' EMOLUMENTS

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

	2010						2009					
	Fee	**Salaries and other allowances**	**Bonus**	**Retirement benefit scheme contributions**	**Share-based payments**	**Total**	Fee	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Share-based payments	Total
	HK$'000	**HK$'000**	**HK$'000** (Note a)	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000	HK$'000	HK$'000
Choi Hon Hing (Note c)	**-**	**672**	**-**	**12**	**25**	**709**	–	546	550	12	177	1,285
Fung Wing Ki, Vicky	**-**	**265**	**-**	**11**	**18**	**294**	–	195	200	9	132	536
Fung Wing Yee, Wynne (Note c)	**-**	**274**	**-**	**11**	**18**	**303**	–	215	100	10	132	457
Ng Cheuk Fan, Keith (Note b)	**-**	**220**	**-**	**7**	**-**	**227**	–	–	–	–	–	–
Mok Chiu Kuen (Note b)	**105**	**-**	**-**	**-**	**-**	**105**	–	–	–	–	–	–
Tam Hok Lam, Tommy	**118**	**-**	**-**	**-**	**26**	**144**	70	–	–	–	54	124
Hui Ka Wah, Ronnie	**118**	**-**	**-**	**-**	**26**	**144**	70	–	–	–	54	124
Leung Man Chun, Paul	**110**	**-**	**-**	**-**	**26**	**136**	70	–	–	–	54	124
	451	**1,431**	**-**	**41**	**139**	**2,062**	210	956	850	31	603	2,650

Notes:

(a) Bonus was determined by the remuneration committee having regard to the performance of directors and the Group's operating result.

(b) On 1st September, 2009, Mr. Ng Cheuk Fan, Keith and Mr. Mok Chiu Kuen were appointed as directors of the Company.

(c) On 1st April, 2010, Ms. Choi Hon Hing and Ms. Fung Wing Yee, Wynne were resigned as directors of the Company.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

14. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2009: one) was director of the Company whose emoluments is included in the disclosures in note 13 above. The emoluments of the remaining four individuals (2009: four individuals) were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other allowances	**3,400**	3,456
Bonus	**162**	165
Retirement benefit scheme contributions	**228**	235
Share-based payments	**30**	87
	3,820	3,943

The emoluments were within the following bands:

	2010 **No. of employees**	2009 No. of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

During the year, no emoluments or discretionary bonus were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Dividends recognised as distribution – HK$0.012 (2009: HK$0.025) per share	**5,028**	10,287

No final dividend for the year ended 31st March, 2010 (2009: HK$0.012 per share) has been proposed by directors.

16. LOSS PER SHARE

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

	2010	2009
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(469,409)**	(22,871)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**628,855**	410,335

Note: No diluted loss per share is presented, as the exercise of the conversion rights of the Company's outstanding convertible notes and/or share options would result in a decrease in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Buildings	Mining structures	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures, and equipment	Moulds	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST											
At 1st April, 2008	598	8,305	7,346	–	–	4,091	7,138	3,522	8,064	11	39,075
Exchange adjustments	(101)	(1,406)	–	–	–	–	(16)	(249)	2	–	(1,770)
Additions	–	–	–	–	–	–	196	224	109	241	770
At 31st March, 2009	497	6,899	7,346	–	–	4,091	7,318	3,497	8,175	252	38,075
Exchange adjustments	10	135	–	–	–	–	–	91	–	–	236
Additions	–	–	–	–	–	1,247	136	439	66	290	2,178
Acquired on acquisition of subsidiaries (note 36)	–	–	2,800	39,546	1,391	–	7,334	693	–	1,261	53,025
At 31st March, 2010	**507**	**7,034**	**10,146**	**39,546**	**1,391**	**5,338**	**14,788**	**4,720**	**8,241**	**1,803**	**93,514**
DEPRECIATION AND IMPAIRMENT											
At 1st April, 2008	–	667	1,945	–	–	3,049	6,501	2,108	7,670	1	21,941
Exchange adjustments	–	(116)	–	–	–	–	(9)	(207)	1	–	(331)
Provided for the year	–	174	147	–	–	293	221	516	202	65	1,618
At 31st March, 2009	–	725	2,092	–	–	3,342	6,713	2,417	7,873	66	23,228
Exchange adjustments	–	14	–	–	–	–	–	68	–	–	82
Provided for the year	–	170	204	–	–	401	379	498	132	93	1,877
Impairment loss recognised in profit or loss	–	–	–	–	–	912	–	–	–	–	912
At 31st March, 2010	**-**	**909**	**2,296**	**-**	**-**	**4,655**	**7,092**	**2,983**	**8,005**	**159**	**26,099**
CARRYING VALUES											
At 31st March, 2010	**507**	**6,125**	**7,850**	**39,546**	**1,391**	**683**	**7,696**	**1,737**	**236**	**1,644**	**67,415**
At 31st March, 2009	497	6,174	5,254	–	–	749	605	1,080	302	186	14,847

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land, mining structures and construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Buildings on freehold land	2%
Buildings	2% to 10%
Construction in progress	Nil
Leasehold improvements	20%
Plant and machinery	$6^2/_3$% to $33^1/_3$%
Furniture, fixtures and equipment	20%
Moulds	20%
Motor vehicles	10% to 25%

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserve as the depletion base. For the year ended 31st March, 2010, no depreciation on mining structures was charged to profit or loss as there was no production since the date of acquisition of subsidiaries to the end of the reporting period. The Group is in the process to carry out various technical and quality improvements at the Group's coal mine in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority in 2009.

The freehold land and buildings on freehold land of the Group are located outside Hong Kong.

As at the end of the reporting period, buildings of HK$3,228,000 (2009: HK$499,000) are located outside Hong Kong and remaining buildings of HK$4,622,000 (2009: HK$4,755,000) are located in Hong Kong. The buildings of the Group are held under medium-term lease.

18. PREPAID LEASE PAYMENTS

	2010	2009
	HK$'000	HK$'000
Analysed for reporting purpose as		
Current asset	**1,081**	–
Non-current asset	**28,686**	3,382
	29,767	3,382
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong	**2,575**	2,643
Leasehold land outside Hong Kong	**27,192**	739
	29,767	3,382

The leasehold land of the Group is held under medium-term lease and charged to profit or loss on a straight-line basis over the lease terms.

Included in leasehold land outstanding Hong Kong with medium-term are land use rights with carrying amount of HK$14,060,000 (2009: nil) which are located in the PRC. The Group is in the process of obtaining the land use right certificates.

19. INVESTMENT PROPERTY

	HK$'000
COST	
At 1st April, 2008, 31st March, 2009 and 2010	1,624
DEPRECIATION AND IMPAIRMENT	
At 1st April, 2008	317
Provided for the year	32
Impairment loss recognised	185
At 31st March, 2009	534
Provided for the year	32
At 31st March, 2010	**566**
CARRYING VALUES	
At 31st March, 2010	**1,058**
At 31st March, 2009	1,090

The fair value of the Group's investment property at 31st March, 2010 was HK$1,058,000 (2009: HK$1,090,000). The fair value as at 31st March, 2010 and 2009 had been arrived at based on a valuation carried out by RHL Appraisal Ltd., independent valuer not connected with the Group. RHL Appraisal Ltd. are members of Institute of Valuers. The valuation was determined by reference to recent market evidence of transaction prices for similar properties.

The above investment property is located in Hong Kong, held under medium lease term and depreciated on a straight-line basis over the term of the lease of 50 years.

20. GOODWILL

	2010	2009
	HK$'000	HK$'000
COST		
At 1st April	**10,523**	12,670
Exchange adjustments	**51**	(2,147)
Arising on acquisition of subsidiaries (note 36)	**411,158**	–
At 31st March	**421,732**	10,523
IMPAIRMENT		
At 1st April	**–**	–
Impairment loss recognised in the year	**421,732**	–
At 31st March	**421,732**	–
CARRYING VALUES		
At 31st March	**–**	10,523

Particulars regarding impairment testing on goodwill are disclosed in note 22.

21. MINING RIGHTS

	HK$'000
COST	
At 1st April, 2008 and 31st March, 2009	–
Acquisition of subsidiaries (note 36)	1,903,116
At 31st March, 2010	**1,903,116**
AMORTISATION	
At 1st April, 2008 and 31st March, 2009 and 2010	–
CARRYING VALUES	
At 31st March, 2010	**1,903,116**
At 31st March, 2009	–

The mining rights will be expired in December 2010. Based on the advice from the Company's legal counsel, the Group will be entitled to renew the mining rights upon the expiration at minimal cost.

21. MINING RIGHTS (continued)

Mining rights are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base. For the year ended 31st March, 2010, no amortisation on mining rights were charged to profit or loss as there were no production since the date of acquisition of subsidiaries to the end of the reporting period. The Group is in the process to carry out various technical and quality improvements at the Group's coal mine in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority in 2009.

22. IMPAIRMENT TEST ON GOODWILL AND MINING RIGHTS

For the purposes of impairment testing, goodwill and mining rights have been allocated to the cash generating units ("CGUs") arising from Dardel, a subsidiary in France principally engaged in sales of quality plastic and paper boxes for luxury consumer goods ("Unit A") and subsidiaries acquired from the Acquisitions, principally engaged in coal mining business ("Unit B"). The carrying amounts of goodwill and other intangible assets as at 31st March, 2010 and 2009 allocated to these CGUs are as follows:

	Goodwill		**Mining rights**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of quality plastic and paper boxes for luxury consumer goods (Unit A)	**-**	10,523	**-**	–	**-**	10,523
Coal mining (Unit B)	**-**	–	**1,903,116**	–	**1,903,116**	–
Total	**-**	10,523	**1,903,116**	–	**1,903,116**	10,523

Management of the Group considers cashflow projections which was prepared based on financial budgets and determined that there was no impairment of the CGUs containing goodwill as at 31st March, 2009. During the year ended 31st March, 2010, the Group recognised an impairment loss of HK$10,574,000 and HK$411,158,000 in relation to goodwill allocated to Unit A and Unit B respectively.

22. IMPAIRMENT TEST ON GOODWILL AND MINING RIGHTS (continued)

As a result of the pessimistic market condition in Europe, the management expects that the demand of the Group's products produced by Unit A will be decreased in the near future, hence impairment is required.

The goodwill arising from the Acquisitions amounted to HK$411,158,000, representing the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. In accordance with HKFRS 3 "Business combinations" issued by the HKICPA, the cost of the Acquisitions were determined based on the fair values of the consideration at the acquisition date, including convertible notes and the Company's shares which were determined by reference to the market value of the ordinary shares of the Company with adjustments to take into account the terms and conditions upon which shares were issued. The Group has performed an impairment test assessment on the carrying amount of Unit B based on value in use calculations.

The directors expected the operation scale of Unit B after the Acquisitions would be further expanded by incorporating the resources of the Group, including the construction of coal washing plant. However, such expectations are not incorporated as assumptions in preparing the cash flow forecasts for impairment testing purpose as actual economic benefit has not been realised as at 31st March, 2010 and therefore not included in the value in use calculations. Since the carrying amount of the Unit B is significantly above its recoverable amount, the Group fully impaired the amount of goodwill of HK$411,158,000 in the current year.

The basis of the recoverable amount of the above CGUs and the major underlying assumptions are summarised below:

Unit A

The recoverable amount of the Unit A is determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Unit A. The growth rates are based on industry growth forecast. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budget approved by management for the next five years, assuming negative growth of 5% (2009: positive 4%) per annum. Cash flows for further five years are extrapolated at zero growth rate, which is determined based on past performance and management's expectations for the market development.

22. IMPAIRMENT TEST ON GOODWILL AND MINING RIGHTS (continued)

Unit A (continued)

The rate used to discount the forecast cash flow is 14% (2009: 14%).

Due to the unfavourable market situation in Europe, the carrying value of Unit A exceeds its value in use based on the cash flow projections. Accordingly, an impairment loss of approximately HK$10,574,000 is recognised during the year ended 31st March, 2010.

Unit B

The recoverable amount of Unit B is determined on the basis of value in use calculations. Value in use calculation is based on a discount rate of 19.27% and cash flow projections prepared from financial forecasts approved by the directors of the Group covering a period of 23 to 24 years until the mine reserve run out. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sale and gross margin, such estimation is based on the past performance and the directors' expectations for the market development.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2010 **HK$'000**	2009 HK$'000
Available-for-sale investments include:		
Equity securities listed in Hong Kong, at fair value	**1,253**	9,036
Equity securities listed outside Hong Kong, at fair value	**114**	2,025
Unlisted equity securities, at cost	**13,480**	15,705
Club debentures, at fair value	**2,710**	2,710
Unlisted debt securities, at fair value	**3,900**	4,680
	21,457	34,156

Fair values of listed equity securities are based on quoted market bid price.

23. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. During the year ended 31st March, 2010, the Group disposed of certain unlisted equity securities with an aggregate carrying value of approximately HK$2,225,000 to an independent third party at cost, which had been carried at cost less impairment before the disposal. During the year ended 31st March, 2009, the Group received cash return of HK$1,113,000 due to capital reduction of a private company, which represented a recovery of part of the cost of the unlisted equity securities.

Club debentures are stated at fair values which have been determined by reference to the quoted prices in the secondary markets.

Unlisted debt securities represent debt securities in the principal amount of US$500,000 (or equivalent to HK$3,900,000) issued by a private company incorporated in Cayman Islands. The debt securities can be converted into shares of this private company if the initial public offering of shares of this private company is successful. The debt securities carry interest at 10% per annum and expected to be settled together with the principal amount on 1st January, 2012. In the opinion of the directors, the amount of the embedded conversion option is insignificant.

During the year ended 31st March, 2010, the counterparty notified the Group, its intention to cease its initial public offering plan and started to negotiated with its investors on the settlement plan of the debt securities issued. In view of the increase in default risk, the Group actively identify potential buyer for its investment and has identified an independent third party as potential buyer of the debt securities, at a consideration of not less than HK$3,900,000. In the opinion of the directors, the transaction is likely to be completed in the coming year, as a result, the difference between the carrying value and the expected consideration of HK$780,000 was recognised as an impairment loss during the year ended 31st March, 2010.

24. PLEDGED BANK DEPOSITS

As at 31st March, 2009, pledged bank deposits represented deposits pledged to banks to secure undrawn banking facilities granted to the Group carried average interest rate of 2.2% per annum.

25. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting periods:

	Mining rights HK$'000	**Withholding tax arise from PRC subsidiaries** (note) HK$'000	**Revaluation of property, plant and equipment and prepaid lease payments** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st April, 2008	–	–	–	–	–
(Charge) credit to profit or loss (note 11)	–	(185)	–	390	205
At 31st March, 2009	–	(185)	–	390	205
Arising on acquisition of subsidiaries (note 36)	(471,876)	–	(3,368)	–	(475,244)
Credit to profit or loss (note 11)	–	–	43	–	43
At 31st March, 2010	**(471,876)**	**(185)**	**(3,325)**	**390**	**(474,996)**

Note: Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards.

For the purposes of consistent presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

At 31st March, 2010, the Group had unused estimated tax losses of HK$18,473,000 (2009: HK$2,855,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$2,364,000 (2009: HK$2,364,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$16,109,000 (2009: HK$491,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw materials	**10,989**	14,748
Work in progress	**5,508**	4,941
Finished goods	**4,692**	9,728
	21,189	29,417

27. OTHER CURRENT FINANCIAL ASSETS

Trade and bills receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**8,915**	15,876
Bills receivable	**399**	1,557
	9,314	17,433

Included in the Group's trade and bills receivables are receivables of approximately HK$5,890,000 (2009: HK$12,444,000) denominated in US$ which is the currency other than the functional currency of the respective group entities.

The Group allows an average credit period of 30 to 60 days (2009: 30 to 60 days) to its customers. The aged analysis of trade and bills receivables is stated as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	**7,349**	13,276
31 to 60 days	**1,816**	3,060
61 to 90 days	**149**	468
91 to 180 days	**–**	629
	9,314	17,433

27. OTHER CURRENT FINANCIAL ASSETS (continued)

Trade and bills receivables (continued)

In determining the recoverability of trade and bills receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the report date. The Group considers the trade and bills receivables are determined to be impaired if they are aged for more than 180 days based on the management past experience. The directors believe that there is no further credit provision required as at the end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,838,000 (2009: HK$3,109,000) as at 31st March, 2010, which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 46 days (2009: 62 days) in the year of 2010.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	HK$'000
Overdue by 1 to 30 days	**1,795**	1,758
Overdue by 31 to 60 days	**43**	590
Overdue by 61 to 180 days	**–**	761
	1,838	3,109

Other receivables, deposits and prepayments

Other receivables and deposits comprise amounts receivable from third parties and recoverable within one year.

Included in the Group's other receivables are receivables of approximately HK$5,384,000 (2009: HK$8,332,000) denominated in currencies other than the functional currency of the respective group entities.

27. OTHER CURRENT FINANCIAL ASSETS (continued)

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at approximate 0.17% (2009: 1.4%) per annum.

The bank balances and cash of approximately HK$191,851,000 (2009: HK$21,034,000) are denominated in currencies other than the functional currency of the respective group entities.

28. INVESTMENTS HELD FOR TRADING

	2010 **HK$'000**	2009 HK$'000
Investments held for trading include:		
Equity securities listed in Hong Kong, at fair value	**300**	3,229
Equity securities listed outside Hong Kong, at fair value	**3**	1,033
Unlisted debt securities, at fair value	**–**	8,238
	303	12,500

Fair values of listed investments held for trading are based on quoted market bid price.

As at 31st March, 2009, the investments in debt securities offered the Group the opportunity for return through interest income and trading gains. These debt securities have fixed maturity and was matured in year 2010 and fixed coupon rate ranged from 3.625% to 6.25% per annum.

The investments held for trading of approximately HK$3,000 (2009: HK$9,364,000) are denominated in currencies other than the functional currency of the respective group entities.

29. RESTRICTED BANK DEPOSITS

In respect of the Acquisitions, the Company, Win Team and the Vendors entered into a supplemental agreement on 22nd December, 2009 (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the Vendors have provided a specific indemnity to the Group against all or any loss or damages that may be incurred or suffered by the Group, as a result of certain outstanding litigations, fines and penalties, breaches of representations and warranties or certain liabilities uncovered during the due diligence review and investigation in respect to the Acquisitions ("Indemnity Obligations"). The estimated total losses and liabilities in respect to the Indemnity Obligations is amounted to US$16.81 million (equivalent to approximately HK$131.12 million).

Pursuant to the Supplemental Agreement, a bank account is opened, which is used solely to retain part of the cash consideration payable for the Acquisitions of US$14.48 million (equivalent to approximately HK$112.94 million) to the Vendors ("Special Purpose Account"). The Group is entitled to set off any sums due to it by the Vendors in connection to the Indemnity Obligations against the monies in the Special Purpose Accounts, and to the extent that the balance in the Special Purpose Account is not sufficient to keep the Group fully indemnified, the Group have the right to set off any sums against the amount outstanding in the convertible notes issued as part of the considerations for the Acquisitions (as set out in note 33) at its discretion, subject to a maximum cap of US$2.33 million (equivalent to approximately HK$18.17 million).

As at 31st March, 2010, HK$54,586,000 was retained in the restricted bank deposits for the future settlement of the remaining balance of the Indemnity Obligations.

30. OTHER CURRENT FINANCIAL LIABILITIES

Trade payables

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 30 to 60 days. The aged analysis of trade payables is stated as follows:

	2010	2009
	HK$'000	HK$'000
0 to 30 days	**2,963**	3,879
31 to 60 days	**1,133**	1,660
61 to 90 days	**652**	765
91 to 180 days	**1,153**	396
	5,901	6,700

Included in the Group's trade payables are payables of HK$2,529,000 (2009: HK$1,049,000) denominated in currencies other than the functional currency of the respective group entities.

Other payables, deposits received and accruals

Other payables principally comprise amounts outstanding for ongoing costs.

As at 31st March, 2010, included in other payables, deposits received and accruals, HK$65,450,000 represented the unsettled portion of the Indemnity Obligations, of which HK$54,586,000 will be settled by balance deposited in the Special Purpose Account and HK$10,864,000 will be settled by cancellation of convertible notes.

31. BANK BORROWING

	2010	2009
	HK$'000	HK$'000
Bank borrowing – secured	**9,080**	–

At 31st March, 2010, bank borrowing is denominated in Renminbi, carrying interest at 80% above the benchmark interest rate announced by the People's Bank of China and repayable on 29th October, 2010. The effective interest rates range from 7.965% to 9.5% per annum. The loan is secured by a leasehold land in the PRC of the Group and a corporate guarantee executed by an independent third party to the extent of RMB8,000,000 (equivalent to approximately HK$9,080,000) with deposit placed with the third party amounted to RMB2,000,000 (equivalent to approximately HK$2,270,000). At 31st March, 2010, carrying value of land charged in favour of the bank is approximately HK$12,600,000.

32. RETIREMENT BENEFIT SCHEMES

The Group operated a pension scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently administrated fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible Hong Kong employees' monthly relevant income but limited to the cap of HK$1,000 per month. The contributions are charged to profit or loss.

The employees of the Group's subsidiaries in the PRC and a subsidiary in France are members of state-managed retirement benefit schemes operated by respective local governments. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss of HK$3,696,000 (2009: HK$4,376,000) represents contribution paid or payable to the schemes by the Group at rates specified in the rules of the schemes.

Defined benefit plan

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary in France. Under the scheme, the employees are entitled to retirement benefits which is based on the estimated final salary and the length of the service to the retirement. No other post-retirement benefits are provided.

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES

As part of the consideration for the Acquisitions, convertible notes with principal amount of US$135.51 million (equivalent to approximately HK$1,050,345,000) were issued at par with conversion price of HK$0.88 per share (the "Convertible Notes") to the Vendors on the Completion Date.

The Convertible Notes are denominated in US$ and non-interest bearing. The holders of the Convertible Notes are entitled to convert the notes into 1,193,573,947 ordinary shares aggregately of the Company ("Conversion Shares") at conversion price of HK$0.88 at any time from the date of issue to 24th January, 2018 (the "Maturity Date") subject to the restriction stated as below. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The Company has the right to cancel the Convertible Notes up to US$2.33 million (equivalent to approximately HK$18.17 million) (the "Redemption Cap") at its option at any time prior to the Maturity Date if any Indemnity Obligations, as set out in note 29, arise or incur that the monies in the Special Purpose Account is not sufficient to keep the Group fully indemnified. As at 31st March, 2010, remaining Indemnity Obligations was amounted to HK$65,450,000, as the Special Purpose Account are not sufficient to indemnified the Group for such liabilities, the HK$10,864,000 will be settled through cancellation of the Convertible Notes.

The conversion rights shall not be exercised by the Vendors if, immediately following the conversion (i) the Company will be unable to meet the public float requirement under the Listing Rules; (ii) the Vendors together with the parties acting in concert with it will hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under The Code on Takeovers and Mergers issued by the Securities and Future Commission ("Takeover Code"); or (iii) the outstanding amount of the Convertible Notes will be less than the Redemption Cap.

In addition, the Convertible Notes holders shall not, without the prior written consent of the Group, transfer or otherwise dispose of all or any of the Convertible Notes or the Conversion Shares (i) as to an amount representing two-thirds of the face value of the Convertible Notes within the first twelve-month period following completion; and (ii) as to an amount representing one-third of the face value of the Convertible Notes within the second twelve-month period following completion.

On 9th and 11th February, 2010 (the "Conversion Dates"), principal amounts of approximately HK$69,760,000 and HK$271,288,000 of the Convertible Notes were converted into 79,272,614 shares and 308,282,380 shares of the Company respectively at the conversion price of HK$0.88 per share. As at 31st March, 2010, the outstanding principal amount of the Convertible Notes was HK$709,297,000.

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

The Convertible Notes contain the following components that are required to be separately accounted for in accordance with HKAS 39 "Financial instruments: Recognition and Measurement":

(a) Liability component of the Convertible Notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion and redemption option. The effective interest rate of the liability component is 8.52% per annum.

(b) Embedded derivatives comprise of embedded conversion option of the Convertible Notes represents the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

	Liability	Embedded conversion option	Total
	HK$'000	HK$'000	HK$'000
At 1st April, 2008 and 2009	–	–	–
Issued during the year, net of issue costs	541,195	500,339	1,041,534
Conversion during the year	(178,666)	(138,548)	(317,214)
Imputed interest charged (note 10)	6,765	–	6,765
Loss arising from change in fair value recognised in profit or loss	–	30,974	30,974
At 31st March, 2010	369,294	392,765	762,059

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

The fair value of the embedded conversion option is calculated using the Binomial Option Pricing Model. The inputs into the model at the Completion Date, the Conversion Dates and 31st March, 2010 were as follows:

	Completion Date	9th February, 2010	11th February, 2010	31st March, 2010
Share price	HK$1.35	HK$1.03	HK$1.03	HK$1.21
Conversion price	HK$0.88	HK$0.88	HK$0.88	HK$0.88
Expected life (note a)	8 years	7.96 years	7.96 years	7.83 years
Risk free rate (note b)	2.550%	2.556%	2.638%	2.544%
Expected volatility (note c)	75.972%	75.813%	75.830%	75.318%

Notes:

(a) Expected life was the expected remaining life of the embedded conversion option.

(b) The risk free rate is determined by reference to the Hong Kong Exchange Fund Note.

(c) Expected volatility for embedded conversion option was estimated by calculating the historical weekly share price volatility of the comparable companies engaged in similar businesses as the Group's various business segments.

34. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st April, 2008 and 31st March, 2009	2,000,000,000	100,000
Increase during the year	3,000,000,000	150,000
At 31st March, 2010	5,000,000,000	250,000
Issued and fully paid:		
At 1st April, 2008	405,626,144	20,281
Exercise of share options (note a)	5,866,582	293
At 31st March, 2009	411,492,726	20,574
Exercise of share options (note b)	9,232,535	462
Placing of shares (note c)	554,216,000	27,710
Issue of shares for acquisition of subsidiaries (note d)	323,696,505	16,185
Shares issued upon conversion of Convertible Notes (note e)	387,554,994	19,378
At 31st March, 2010	1,686,192,760	84,309

Details of the changes in the Company's share capital for the year ended 31st March, 2009 and 2010 are as follows:

(a) On 12th June, 2008, share options for 5,866,582 of HK$0.05 each were exercised at the exercise price of HK$0.225. Details of options outstanding and movements during the year are set out in note 39.

(b) On 24th July, 2009, 21st and 23rd September, 2009, share options for 8,062,535, 90,000 and 1,080,000 of HK$0.05 each were exercised at the exercise price of HK$0.225, HK$0.536 and HK$0.860 respectively. Details of options outstanding and movements during the year are set out in note 39.

34. SHARE CAPITAL (continued)

(c) On 25th January, 2010, private placements to independent private investors of 554,216,000 new shares of HK$0.05 each in the Company were completed, at placing price of HK$1.26 per share.

(d) On 25th January, 2010, the Company issued 323,696,505 shares ("Consideration Shares") to the Vendors as part of the consideration for the acquisition of subsidiaries.

(e) On 9th and 11th February, 2010, 79,272,614 and 308,282,380 new ordinary shares of the Company of HK$0.05 each were issued upon the partial conversion of the Convertible Notes (see note 33) respectively. Convertible Notes with principal amounts of approximately HK$69,760,000 and HK$271,288,000 of the Convertible Notes were converted into 79,272,614 shares and 308,282,380 shares of the Company at the conversion price of HK$0.88 per share respectively.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

35. RESERVES

Statutory surplus reserve

	2010	2009
	HK$'000	HK$'000
At the beginning of year	**2,281**	2,100
Transfer from retained profits	**1,258**	181
At the end of year	**3,539**	2,281

Share option reserve

	2010	2009
	HK$'000	HK$'000
At the beginning of year	**2,664**	3,094
Transfer to share premium upon exercise of share options	**(2,469)**	(1,531)
Recognition of equity-settled share-based payments	**275**	1,101
At the end of year	**470**	2,664

35. RESERVES (continued)

Asset revaluation reserve

	2010 HK$'000	2009 HK$'000
At the beginning of year	**1,916**	(3,711)
Fair value changes on available-for sale-investments	**853**	5,627
Reclassified adjustment to profit or loss on disposal	**(130)**	–
At the end of year	**2,639**	1,916

Special reserve

	2010 HK$'000	2009 HK$'000
At the beginning and the end of year	**(5,754)**	(5,754)

Translation reserve

	2010 HK$'000	2009 HK$'000
At the beginning of year	**8,456**	13,659
Exchange differences arising on translation of foreign operations	**1,045**	(5,203)
At the end of year	**9,501**	8,456

36. ACQUISITION OF SUBSIDIARIES

For the year ended 31st March, 2010

On 25th January, 2010, the Group acquired 100% of the entire equity interest in Merrymaking Investments Ltd. and Pleasing Results Ltd. from the Vendors, with their subsidiaries principally engaged in exploitation of coal business, coal mining and development of underground coking coal mine in the PRC. The fair value of the aggregate net consideration for the Acquisitions was HK$1,638,618,000. These transactions have been accounted for using the purchase method. The amount of goodwill as a result of the Acquisitions was HK$411,158,000.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	53,025	–	53,025
Prepaid lease payments	26,660	–	26,660
Mining rights	1,356,905	546,211	1,903,116
Deposit paid for acquisition of property, plant and equipment	79,286	–	79,286
Inventories	261	–	261
Other receivables, deposits and prepayments	4,370	–	4,370
Bank balances and cash	808	–	808
Other payables, deposits received and accruals (note e)	(355,742)	–	(355,742)
Bank borrowing	(9,080)	–	(9,080)
Deferred tax liabilities	(338,691)	(136,553)	(475,244)
	817,802	409,658	1,227,460
Goodwill from acquisition			411,158
Total consideration			1,638,618
Total consideration satisfied by:			
Cash (note a)			293,994
Shares issued (note b)			403,819
Convertible notes issued (note c)			1,041,534
Direct attributable cost in respect to business combination			12,215
Less: Cash consideration retained in the Special Purpose Account for settlement of the Indemnity Obligations (note d)			(112,944)
			1,638,618
Net cash outflow arising on acquisition:			
Net cash consideration paid			(193,265)
Bank balances and cash acquired			808
			(192,457)

36. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31st March, 2010 (continued)

Notes:

(a) Pursuant to the Supplemental Agreement, out of the cash portion of the consideration for the Acquisitions of HK$293,994,000, US$15.52 million (equivalent to HK$121,056,000), shall be payable by the Group directly to a former minority shareholder of a subsidiary on the Completion Date.

(b) As part of the consideration for the Acquisitions, 323,696,505 ordinary shares of the Company with par value of HK$0.05 each were issued to the Vendors. The fair value of the Consideration Shares, determined using the published market bid price available at the date of the acquisition with adjustments to take into account the terms and conditions upon which the shares were issued, amounted to approximately HK$403,819,000.

(c) As part of the consideration for the Acquisitions, Convertible Notes and embedded derivatives with fair value as at the Completion Date amounted to HK$1,041,534,000 were issued to the Vendors. Details are set out in note 33.

(d) Details of the Indemnity Obligations are set out in note 29.

(e) At the Completion Date, included in the Group's acquired other payables, deposits received and accruals, approximately HK$123,808,000 represented the Indemnity Obligations indemnified by the Vendors, of which HK$112,944,000 will be settled by deposited in the Special Purpose Account and HK$10,864,000 will be settled by cancellation of the Convertible Notes. As at 31st March, 2010, HK$58,358,000 of the Indemnity Obligations was settled by the cash retained in the Special Purpose Account.

The consideration of the Acquisitions was satisfied by cash, issue of new shares and issue of convertible notes. In accordance with S&P Agreement, the Vendors are not able to exercise the convertible rights if, immediately following the conversion, the Vendors together with the parties acting in concert with it will hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeover Code.

The subsidiaries acquired are mainly engage in exploitation of coal business, coal mining, and development of underground coking coal mine in the PRC. Full impairment loss on goodwill arising from the Acquisitions of HK$411,158,000 was recognised for the year ended 31st March, 2010, details are set out in note 22.

The acquired subsidiaries contributed net loss of approximately HK$1,944,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

36. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31st March, 2010 (continued)

If the Acquisitions had been completed on 1st April, 2009, total group revenue for the year would have been approximately HK$112 million, and loss for the year would have been approximately HK$502 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisitions been completed on 1st April, 2009, nor is it intended to be a projection of future results.

37. PLEDGE OF ASSETS

At 31st March, 2010, other than the pledged bank deposits as disclosed in note 24, the Group has pledged its leasehold land and buildings with carrying values of HK$12,600,000 (2009: nil) to secure the outstanding bank borrowing and HK$3,118,000 (2009: HK$3,220,000) to secure the unutilised general banking facilities granted to the Group.

38. COMMITMENTS

(a) Operating lease commitments

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	**5,302**	5,657
In the second to fifth year inclusive	**10,969**	6,546
	16,271	12,203

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for lease term of two to five years and rentals are fixed over the relevant lease term.

38. COMMITMENTS (continued)

(b) Capital commitments

	2010	2009
	HK$'000	HK$'000
Capital expenditure in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**108,347**	–
Capital expenditure in respect of addition of property, plant and equipment authorised but not contracted for	**407,783**	–

39. SHARE OPTION SCHEMES

The Company had two share option schemes, including pre-listing share option scheme (the "Pre-Listing Scheme") and share option scheme (the "Post-Listing Scheme"), which were both adopted on 16th May, 2006. The terms and conditions of the Pre-Listing Scheme and Post-Listing Scheme are set out below.

(A) Pre-Listing Scheme

The major terms of the Pre-Listing Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants;

(ii) The participants included directors of the Company or its subsidiaries, senior management and other employees of the Group;

(iii) The maximum number of shares in respect of which options might be granted under the Pre-Listing Scheme shall not exceed 19,555,261 shares;

39. SHARE OPTION SCHEMES (continued)

(A) Pre-Listing Scheme (continued)

(iv) In relation to each grantee of the options granted under Pre-Listing Scheme, the right of the grantee to exercise the option shall vest in three stages: 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of one year from the listing date (6th June, 2006) up to the day immediately before the fourth anniversary of the listing date; 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of two years from the listing date up to the day immediately before the fifth anniversary of the listing date; and 40% of the share options granted (round down to the nearest whole number of shares) will vest from the expiry of three years from the listing date up to the day immediately before the sixth anniversary of the listing date;

(v) The exercise price of an option is HK$0.225 per share; and

(vi) No further options will be granted under the Pre-Listing Scheme after the day immediately prior to the date of listing of the Company's shares.

(B) Post-Listing Scheme

The major terms of the Post-Listing Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants;

(ii) The participants included any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants and legal and other professional advisors of the Company or its subsidiaries which, in the opinion of the Company's board of directors, has or had made contribution to the Group;

(iii) The maximum number of shares in respect of which options might be granted under the Post-Listing Scheme must not exceed 30% of the issued share capital of the Company from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders;

39. SHARE OPTION SCHEMES (continued)

(B) Post-Listing Scheme (continued)

(iv) In relation to each grantee of the options granted under the Post-Listing Scheme, the right of the grantee to exercise the option shall vest in three stages: 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of one year from the acceptance date of the option (the "Acceptance Date") up to the day immediately before the fourth anniversary of the Acceptance Date; 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of two years from the Acceptance Date up to the day immediately before the fifth anniversary of the Acceptance Date; and 40% of the share options granted (round down to the nearest whole number of shares) will vest from the expiry of three years from the Acceptance Date up to the day immediately before the sixth anniversary of the Acceptance Date;

(v) The exercise price of an option will be determined by the board of directors of the Company and will not be less than the highest of:

- the closing price of the share on the date of grant;
- the average closing price of the share for the 5 business days immediately preceding the date of grant;
- the nominal value of the share; and

(vi) A consideration of HK$1 is payable on acceptance of the offer of grant of options.

39. SHARE OPTION SCHEMES (continued)

Details of the share options outstanding and movements during the two years were as follows:

					Number of share options					
Grantee	Name of the scheme	Date of grant	Exercising period	Exercise price per share HK$	Outstanding at 1st April, 2008	Exercised during the year (Note a)	Lapsed during the year	Outstanding at 31st March, 2009	Exercised during the year (Note b)	Outstanding 31st March, 2010
Directors										
Choi Hon Hing (note c)	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2011	0.225	1,333,294	(1,333,294)	–	–	–	–
	Pre-Listing Scheme	16.5.2006	6.6.2010 to 5.6.2012	0.225	1,777,725	–	–	1,777,725	(1,777,725)	–
Fung Wing Ki, Vicky	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2011	0.225	999,979	(999,979)	–	–	–	–
	Pre-Listing Scheme	16.5.2006	6.6.2010 to 5.6.2012	0.225	1,333,304	–	–	1,333,304	(1,333,304)	–
Fung Wing Yee, Wynne (note c)	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2011	0.225	999,979	(999,979)	–	–	–	–
	Pre-Listing Scheme	16.5.2006	6.6.2010 to 5.6.2012	0.225	1,333,304	–	–	1,333,304	(1,333,304)	–
Tam Hok Lam, Tommy	Post-Listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	–	160,000	–	160,000
Hui Ka Wah, Ronnie	Post-Listing Scheme	8.6.2007	9.6.2008 to 8.6.2011	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	9.6.2009 to 8.6.2012	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	9.6.2010 to 8.6.2013	0.860	160,000	–	–	160,000	–	160,000
Leung Man Chun, Paul	Post-Listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	120,000	–	–	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	–	160,000	–	160,000
Advisor to the Group										
Mr. Fung Ka Pun (note d)	Post-Listing Scheme	8.6.2007	8.6.2008 to 7.6.2011	0.860	180,000	–	–	180,000	(180,000)	–
	Post-Listing Scheme	8.6.2007	8.6.2009 to 7.6.2012	0.860	180,000	–	–	180,000	(180,000)	–
	Post-Listing Scheme	8.6.2007	8.6.2010 to 7.6.2013	0.860	240,000	–	–	240,000	–	240,000
Employees	Pre-Listing Scheme	16.5.2006	6.6.2007 to 5.6.2010	0.225	240,438	(240,438)	–	–	–	–
	Pre-Listing Scheme	16.5.2006	6.6.2008 to 5.6.2011	0.225	2,533,330	(2,292,892)	–	240,438	(240,438)	–
	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	3,377,764	–	–	3,377,764	(3,377,764)	–
	Post-Listing Scheme	8.6.2007	8.6.2008 to 5.7.2011	0.860	150,000	–	(45,000)	105,000	–	105,000
	Post-Listing Scheme	8.6.2007	8.6.2009 to 5.7.2012	0.860	150,000	–	(45,000)	105,000	–	105,000
	Post-Listing Scheme	8.6.2007	8.6.2010 to 5.7.2013	0.860	200,000	–	(60,000)	140,000	–	140,000
	Post-Listing Scheme	18.3.2008	18.3.2009 to 17.3.2012	0.536	90,000	–	–	90,000	(90,000)	–
	Post-Listing Scheme	18.3.2008	18.3.2010 to 17.3.2013	0.536	90,000	–	–	90,000	–	90,000
	Post-Listing Scheme	18.3.2008	18.3.2011 to 17.3.2014	0.536	120,000	–	–	120,000	–	120,000
					16,529,117	(5,866,582)	(150,000)	10,512,535	(9,232,535)	1,280,000
Weighted average exercise price					0.319	0.225	0.860	0.371	0.302	0.807
Exercisable at the end of the year								1,020,438		300,000

39. SHARE OPTION SCHEMES (continued)

Notes:

(a) The weighted average closing price of the Company's shares at the dates of exercise was HK$0.662 per share.

(b) The weighted average closing price of the Company's shares at the dates of exercise was HK$0.798 per share.

(c) On 1st April, 2010, Ms. Choi Hon Hing and Ms. Fung Wing Yee, Wynne have resigned as the directors of the Company.

(d) Mr. Fung Ka Pun ("Mr. Fung") is a substantial shareholder of the Company and was appointed as an executive director of the Company subsequently on 1st April, 2010.

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 option are based on directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

In the current year, share option expenses of approximately HK$275,000 (2009: HK$1,101,000) have been recognised with a corresponding credit in the Group's share options reserve.

40. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following related party transactions:

	2010 **HK$'000**	2009 HK$'000
Services fee paid to a related company (note)	**11**	42

Note: The beneficial owner of this related company is also the director of the Company.

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

	2010 **HK$'000**	2009 HK$'000
Salaries and other short-term benefits	**4,900**	4,401
Post-employment benefits	**240**	222
Share-based payments	**210**	638
	5,350	5,261

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

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2010, as part of the consideration for the Acquisitions, 323,696,505 ordinary share with fair value amounted to HK$403,819,000 and convertible notes and embedded derivatives with aggregated fair value at Completion Date amounted to HK$1,041,534,000 were issued.

During the year ended 31st March, 2010, part of the issued convertible notes with aggregate principal amounts of approximately HK$341,048,000 have been converted into 387,554,994 ordinary shares of the Company.

42. EVENT AFTER THE REPORTING PERIOD

On 1st April, 2010, Mr. Fung was appointed as an executive director of the Company and the Company granted 20,000,000 options at exercise price of HK$1.202 per share to Mr. Fung under the Post-Listing Scheme. The fair value of the share options granted determined at the date of grant using the option pricing model was approximately HK$12,763,000. The fair value of share options granted will be expensed on a straight-line basis over the vesting period from 1 to 3 years. Details of the Post-Listing Scheme are set out in note 39.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31st March, 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Class of shares held	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
				2010		2009		
				Directly	**Indirectly**	Directly	Indirectly	
Winbox (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	US$460	**100%**	**-**	100%	–	Investment holding
Win Team Investments Limited	BVI	Ordinary	US$1	**100%**	**-**	–	–	Investment holding
Dardel	France	Ordinary	EUR470,000	**-**	**100%**	–	100%	Sale of quality plastic and paper boxes for luxury consumer goods
Fairich Investment Limited	Hong Kong	Ordinary	HK$2	**-**	**100%**	–	100%	Investment holding
First Light Investments Limited	BVI	Ordinary	US$1	**-**	**100%**	– –	100% 100%	Provision of sub-contracting services (intra group service)
Grand Cast Limited	Hong Kong	Ordinary	HK$2	**-**	**100%**	–	100%	Investment holding
Golden Hope Holdings Limited	Hong Kong	Ordinary	HK$1	**-**	**100%**	–	100%	Investment holding
Merrymaking Investment Limited	BVI	Ordinary	US$50,000	**-**	**100%** (note iii)	–	–	Investment holding
Tianyu Coal Company Limited	The PRC (Note ii)	Contributed capital	RMB43,000,000	**-**	**100%** (note iii)	–	–	Development of underground coking coal mine
Tianyu Gongmao Company Limited	The PRC (Note ii)	Contributed capital	RMB46,000,000	**-**	**100%** (note iii)	–	–	Exploitation of coal business, coal mining and development of underground coking coal mine

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Class of shares held	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010 Directly	2010 Indirectly	2009 Directly	2009 Indirectly	Principal activities
Pleasing Results Limited	BVI	Ordinary	US$50,000	**-**	**100%** (note iii)	–	–	Investment holding
Winbox Company Limited	Hong Kong	Ordinary	Ordinary shares HK$5,500,000 Non-voting deferred shares HK$5,500,000 (Note i)	**-**	**100%**	–	100%	Sale of quality plastic and paper boxes for luxury consumer goods
Winbox Plastic Manufacturing (Shenzhen)	The PRC (Note ii)	Contributed capital	HK$12,000,000	**-**	**100%**	–	100%	Manufacture and sale of quality plastic and paper boxes for luxury consumer goods and the provision of sub-contracting services (intra group service)
Winpac Europe Limited	United Kingdom	Ordinary	£500,000	**-**	**100%**	–	100%	Investment holding
Winpac International Limited	Hong Kong	Ordinary	HK$2	**-**	**100%**	–	100%	Investment holding
Winpac Trading Co. Limited	Hong Kong	Ordinary	HK$500,000	**-**	**100%**	–	100%	Sale of quality plastic and paper boxes for luxury consumer goods
Winpac SARL	France	Ordinary	EUR10,000	**-**	**100%**	–	100%	Property holding
Wuhai City Menggang Industrial Development Co., Ltd.	The PRC (Note ii)	Contributed capital	HK$320,000,000	**-**	**100%** (note iii)	–	–	Investment holding

Notes:

(i) The holders of the non-voting deferred shares are not entitled to receive notice of or to attend or vote at any general meeting of this subsidiary, and not entitle to participate in the profits of this subsidiary. On a winding up, the holders of the non-voting deferred shares are entitled to be paid out of the surplus assets a return of the capital paid up on such shares after a total of HK$100,000,000 has been distributed in respect of each of the shares.

(ii) These subsidiaries were established in the PRC as wholly foreign-owned enterprise. The English names of these subsidiaries were for identification purpose only.

(iii) These subsidiaries were acquired during the year. Details of the Acquisitions are set out in note 36.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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

The above table lists the subsidiaries of the Company 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.

Financial Summary

RESULTS

	Year ended 31st March,				
	2006 HK$'000 (note)	2007 HK$'000 (note)	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	151,055	156,508	176,803	166,505	**97,029**
Profit (loss) for the year attributable to owners of the Company	26,804	28,051	22,180	(22,871)	**(469,409)**

ASSETS AND LIABILITIES

	As at 31st March,				
	2006 HK$'000 (note)	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	200,092	217,629	251,724	198,029	**2,502,224**
Total liabilities	(35,478)	(29,625)	(44,313)	(20,932)	**(1,403,942)**
	164,614	188,004	207,411	177,097	**1,098,282**
Equity attributable to owners of the Company	164,614	188,004	207,411	177,097	**1,098,282**

Note: The Company was incorporated in the Cayman Islands on 30th September, 2005 and became the holding company of the Group with effect from 16th May, 2006 as a result of a reorganisation scheme as set out in the prospectus dated 24th May, 2006 issued by the Company. Accordingly, the results of the Group for each of the two years ended 31st March, 2007 have been prepared on a combined basis as if the current group structure had been in existence throughout the years concerned. In addition, the assets and liabilities of the Group as at 31st March, 2006 have been prepared on a combined basis as if the current group structure had been in existence at those dates.