昊天能源集團有限公司

HAO TIAN RESOURCES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability) (Stock code: 00474)

2010/11

Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Lishan
(Chairman and Chief Executive Officer)
(appointed on 1 September 2010)
Mr. Fung Ka Pun *(Vice-Chairman)*
(appointed on 1 April 2010)
Mr. Ng Cheuk Fan, Keith
Mr. Mak Yiu Tong (appointed on 7 May 2010)

NON-EXECUTIVE DIRECTOR

Ms. Fung Wing Ki, Vicky
Mr. Mok Chiu Kuen
(resigned on 27 September 2010)

INDEPENDENT NON EXECUTIVE DIRECTORS

Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang
(appointed on 1 August 2010)
Mr. Chan William
(appointed on 1 September 2010)
Dr. Hui Ka Wah, Ronnie, *J.P.*
(resigned on 27 September 2010)
Mr. Leung Man Chun, Paul
(resigned on 27 September 2010)

AUDIT COMMITTEE

Dr. Tam Hok Lam, Tommy, *J.P.*
(Chairman of Committee)
Mr. Zhu Yongguang
Mr. Chan William

EXECUTIVE COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Fung Ka Pun *(Chairman of Committee)*
Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang

NOMINATION COMMITTEE

Mr. Ma Lishan *(Chairman of Committee)*
Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang

COMPANY SECRETARY

Mr. Fok Chi Tak *(CPA, FCCA, ACA, ACS, ACIS)*

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

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	2011	2010
Operating Results	**HK$'000**	HK$'000
Revenue	**122,099**	97,029
Gross profit	**19,027**	11,388
Net loss	**(96,646)**	(469,409)
Per Share Data	**HK cents**	HK cents
Loss per share – basic	**(4.80)**	(74.65)
Net asset per share	**74.64**	65.13
Financial Position	**HK$'000**	HK$'000
Total assets	**2,744,900**	2,502,224
Net assets	**1,799,835**	1,098,282
Financial Ratios	**%**	%
Gross profit to revenue	**15.6**	11.7
Debt to equity	**12.1**	34.5

DIRECTORS

Executive Directors

Mr. Ma Lishan, aged 59, is the Chairman, Executive Director, Chief Executive Officer of the Company since 1 September 2010. Mr. Ma graduated from the Beijing Foreign Studies University in 1975. During his course of employment, he had participated in various study and research programmes organised by the United Nations, the State Economic and Trade Commission (currently known as the Ministry of Commerce), and the National School of Administration. He also took part in seminars organised by the State ministries and commissions for corporate leaders of certain major state enterprises. Mr. Ma has held various managerial positions such as chairman, executive directors in COFCO and certain of its subsidiaries. Mr. Ma is one of the earliest pioneers in the processing of edible oil essence and wine investment industries in China. Mr. Ma had extensive experience in corporate operation and management. Mr. Ma served as an executive director of China Foods Limited (中國食品有限公司) (formerly known as "China Foods Holdings Limited (中國食品發展集團有限公司)" and "COFCO International Limited (中國糧油國際有限公司)"), whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") since January 1996. In particular, from May 1997 to June 2003, Mr. Ma served as the managing director of China Foods Limited and was the managing director of COFCO International Limited from April 2002 to June 2003. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司). Mr. Ma was an executive director of Sino Resources Limited (listed on the Main Board of the Stock Exchange) from 7 June 2008 to 16 January 2009. Currently, he serves as an independent non-executive director of Silver Base Group Holdings Limited (Stock Code: 886) and Sunac China Holdings Limited (Stock Code: 1918), both of which are listed on the Stock Exchange. At present, Mr. Ma is a director of Favour Mind Limited, a subsidiary of the Company. He is also a director of Real Power Holdings Limited and TRXY Development (HK) Limited, both of which are substantial shareholders of the Company.

Mr. Fung Ka Pun, aged 65, is the Vice Chairman and Executive Director of the Company since 1 April 2010. He is the father of Ms. Fung Wing Ki, Vicky. 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, 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), 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.

Mr. Ng Cheuk Fan, Keith, aged 50, is an Executive Director of the Company since 1 September 2009. 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 corporate development & corporate re-structuring, management and accounting experience. Mr. Ng is currently a Director of a number of companies listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Ng has been appointed as Executive Director since 4 April 2007 and further appointed as Managing Director since 4 December 2007 of China Fortune Group Limited (Stock Code: 290), an Executive Director of U-RIGHT International Holdings Limited (Stock Code: 627) and an Independent Non-Executive Director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) since 7 January 2011 and 15 January 2010 respectively. Mr. Ng was an Executive Director of New Environment Energy Holdings Limited from 16 August 2010 to 30 May 2011 (listed on the Main Board of the Stock Exchange of Hong Kong Limited).

Mr. Mak Yiu Tong, aged 52, 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 extensive experience in litigation and corporate matters. At present, he is a legal executive of C. K. Mok & Co., a firm of solicitors in Hong Kong. Mr. Mak has been working in the law firm for over 23 years.

Non-Executive Director

Ms. Fung Wing Ki, Vicky, aged 37, is a Non-Executive Director of the Company. She is a daughter of Mr. Fung Ka Pun. 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 Winbox Company Limited 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.

Independent Non-Executive Directors

Dr. Tam Hok Lam, Tommy, *PhD., J.P.*, aged 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 (Stock Code: 907), 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 (Stock Code: 231), whose principal activity is investment holding, whilst its subsidiaries are mainly engaged in property investment and development in the PRC. Both Companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited. 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.

Mr. Zhu Yongguang, aged 66, is a senior economist. Mr. Zhu graduated from Wuhan School of River Transportation in 1965 majoring in navigation. Since 1984, Mr. Zhu has been the Chief of Production Scheduling Division of Oceanic Administration under the Ministry of Communications of the People's Republic of China ("PRC"), the Chief of Integrated Transport Division of the Air Transport Regulation Department under the Ministry of Communications of the PRC, and from 1992 onwards, Mr. Zhu has been the Director General of Air Transport Regulation Department of the PRC and the Deputy Director General of Water and Transport Department of the PRC. From July 1998 to April 2007, Mr. Zhu served as the Director General of the Department of Restructuring, Laws and Regulations of the PRC. Currently, he serves as an independent non-executive director of China Shipping Development Company Limited (Stock Code: 1138) which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Zhu was appointed as an Independent Non-executive Director of the Company in August 2010.

Mr. Chan William, aged 36, graduated from the University of La Verne, California of the United States with a bachelor of business administration degree in 2000 and a master of business administration degree in 2002. At present, Mr. Chan is the chairman and executive director of Sundart International Holdings Limited (Stock Code: 2288) (a company whose shares are listed and traded on the Main Board of the Stock Exchange). He was a director of the Tung Wah Group of Hospitals (2003/2004), a director of Yan Chai Hospital (35th Term Board of Directors (2002/2003)) and a committee member of the Central and Sai Ying Pun Area Committee of Home Affairs Department of Hong Kong Government for the two years ended 31 March 2006. Mr. Chan was appointed as an Independent Non-executive Director of the Company September 2010.

COMPANY SECRETARY

Mr. Fok Chi Tak, aged 36, is the Chief Financial Officer, the company secretary and the authorized representative of the Company since 16 December 2010. Mr. Fok graduated from Oxford Brookes University in United Kingdom with a bachelor's degree in Accounting and Finance and the University of Hong Kong with a master's degree in Business Administration. Mr. Fok is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. Mr. Fok is also a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Fok has over 11 years of experience in auditing and financial management.

Chairman's Statement

Dear Shareholders,

On behalf of Hao Tian Resources Group Limited ("Hao Tian Resources" or the "Group"), I hereby present our annual results for the year ended 31 March 2011 ("the year under review").

During 2010, the world's economy was showing signs of slow recovery from the financial tsunami, which resulted in a pick-up in market demands for consumer products and packaging boxes. Under this circumstance, the number of packaging box orders had been escalated during the year under review when compared with the previous year, featured by the improvement in the Group's packaging business operation. Nonetheless, soaring wages and raw material prices in the PRC weighed with our production cost control, while the exporting environment became less favorable due to the strong RMB. It presents some of the challenges that the Group is facing in our packaging operation.

The Group commenced its investment in the coking coal mining industry at the beginning of the previous year. During the year under review, the Group actively developed its coking coal mining business, including enhancement of its shafts' production capacity, construction of coal washing plants and acquisition of the Baicheng Mine in the Xinjiang Uygur Autonomous Region. The upcoming years will be a prime time to develop coking coal business as coking coal business will benefit from the tight supply of global coking coal. Moreover, factors such as the rise in international crude oil prices, continuous depreciation of US dollar and the floods in Australia drove the global price of coking coal rising persistently; the average daily production of steel reached a record high, which also boosted the pig iron production sector's demand for coking coal. In the medium to long term, the post-earthquake reconstruction of Japan shows increasing needs of coking coal, which will bring international coal price strong support and momentum. In addition, the PRC is now actively promoting the integration among coal mines by merger and reorganization as well as abandoning laggard coal mines to upgrade technological level of equipment of coal mines and improve production safety conditions, meanwhile planning to develop large and competitive coal mining enterprises. The Group will seize the opportunity to strengthen the development of coking coal business and seek to become a sizable coking coal enterprise.

The 600,000 tonnes technical improvement of the Group's Mine No. 1 in Wuhai City, Inner Mongolia Autonomous Region will be completed soon, and will commence trial operation of quality underground coal by the end of July. Mine No. 4 is in advanced stage of development and relevant preparation for construction is ready. It is estimated to be completed by the end of 2012 and put in full production in the first quarter of 2013 with an expected production of 2,400,000 tonnes per annum. The Tianyu coal washing plant, which is established within the area of Mine No. 4, will commence trial operation in July 2011. The raw coal produced from Mine No. 1 and No. 4 will be directly provided to coal washing plant for the purposes of production and sale of washed clean coal that commands a higher profit margin than raw coking coal, so as to increase our profit and our product value. All these products can be directly sold in Wuhai City.

The Group is poised to increase the volume of coal resources by proactively participating in the mergers and consolidations of coal resources in places where the Group's mines are located. On 15 June 2011, the Group acquired the Baicheng Mine in the Xinjiang Uygur Autonomous Region successfully, and subsequently put it into production. The Baicheng Mine has aggregate coal resources of approximately 112 million tonnes which include indicated resources of 69 million tonnes of which with 33% of coking coal and 50% of caking coal content. The annual production is 300,000 tonnes per annum and the technical improvement has been conducted on the basis of 900,000 tonnes. It is expected that the technical improvement of 900,000 tonnes will be completed by the end of 2012. The Group will enhance production capacity of coking coal by continuous technical improvement to achieve the production goal of 3,000,000 tonnes by 2013.

Looking ahead, in view of the commencement of production of Mine No. 1, coal washing plant and the Baicheng Mine the operating performance and cash flows of the Group will improve. The Group will actively expand its production scale as well as further strengthen its vertical development by acquisition and merger, so as to improve profitability. The Group will endeavor to achieve the following objectives by the end of 2013: (i) the total volume of coal resources reaching 400,000,000 tonnes; (ii) total coal mining volume reaching 150,000,000 tonnes; and (iii) annual output reaching 6,000,000 tonnes.

The year 2011 is the introductory year of the Twelve Five-year Plan. The demand for energy is set to grow increasingly as Chinese economy develops at an accelerated speed. We believe that the coal industry in China has a promising future and there is ample room for further increase in coal price. Hao Tian Resources' coal mines and coal washing plants have been successively put into operation. 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, but also indicate a considerable growth in earnings. In order to further expand its production scale, the Group will also purchase raw coals externally for processing and resale, thus, ensuring that the production efficiency and economic benefits of the coal washing plant will be maximized to its fullest extent. The Group believes that there is ample room for further development in the coking coal industry. Hao Tian Resources will continue to devote tremendous resources into its coal mining business and will respond actively to market changes and seek acquisition projects that are in line with the Group's development direction. Through mergers and integration of this highly segmented coking coal industry, we aim at becoming one of the sizable coking coal enterprises in China.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders for their great support and trust, and to our directors, management and staff for their valuable contribution to the Group during the past year.

Ma Lishan
Chairman

Hong Kong
20 June 2011

Management Discussion and Analysis

INDUSTRY REVIEW

In 2010, despite the macroeconomic regulation and control, the demand for coking coal in China was stimulated by various factors and continued to increase. The integration and consolidation of coal mine resources in a number of coal producing regions resulted in a continuous tight supply of coking coal in the mainland. The economy of the mainland grew rapidly causes a strong demand for coking coal in the market. The increase in demand for coking coal was also driven by the greater-than-expected demand for steel in the second and third tier cities, urban and rural areas of China and the commencement of the construction of 10 million sets of security housing. The price of coking coal has also been increasing due to strong market demand for coking coal. In December 2010, as a result of flooding in Australia, the price of coking coal even rose to a year-high level.

BUSINESS AND FINANCIAL REVIEW

New Coal Mining Business

The 600,000 tonnes per annum technical improvement of the Group's Mine No. 1 in Wuhai City, Inner Mongolia Autonomous Region will be completed soon, and trial operation will be commenced by the end of July 2011. Mine No. 4 is at the final stage of development and preparations for the relevant construction are well under way. In order to align with the Company's overall development strategy, the production capacity will be adjusted and raised to 2.4 million tonnes annually, i.e. 900,000 tonnes more than the originally planned capacity of 1.5 million tonnes. The construction commenced in December 2010. We strive to complete the construction by the end of 2012 and expect full-scale operation in the first quarter of 2013. The Tianyu Coal Washing Plant will commence trial operation in July 2011, with an annual processing capacity of 3 million tonnes. Since the coal mining business operation of the Group was still at the development stage during the year under review, there was no revenue generated from this business sector.

Packaging Box Business

The global economic recovery drove demand for consumer goods and packaging boxes to increase. Accordingly, the Group's packaging segment revenue during the year under review increased by approximately 25.8% to HK$122.1 million (2010: HK$97.0 million) as compared with the same period last year. The segment loss significantly decreased by approximately 59.0% to HK$8.6 million (2010: HK$20.9 million). While Winbox strived to control its costs in order to maintain the gross profit margin, the continuous increase in direct labour costs, raw material prices and RMB appreciation could not be totally passed on to customers. Therefore, the gross profit margin only increased slightly to approximately 15.6% (2010: 11.7%). The overall gross profit increased to approximately HK$19.0 million (2010: HK$11.4 million).

For the year ended 31 March 2011, the Group recorded a loss of HK$96.6 million (2010: a loss of approximately HK$469.4 million), representing a decrease of HK$372.8 million or 79.4%. The basic loss per share was approximately HK4.80 cents, representing a decrease of HK69.85 cents or 93.6% as compared with the loss per share of HK74.65 cents in 2010. The decrease of loss was mainly attributable to the facts that: (i) the Company recorded a revenue of HK$6.1 million (2010: a loss of approximately HK$31.0 million) from the fair value adjustment in embedded derivatives of convertible notes issued by the Company on 25 January 2010 for the acquisitions; and (ii) there was no further impairment on goodwill arising from the acquisition of the coal mine in Wuhai City, Inner Mongolia and the Group's France operation during the year (2010: an impairment loss of approximately HK$421.7 million).

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

The Group invested in various types of financial instruments including fixed income and equity. For the year ended 31 March 2011, a total net loss of approximately HK$0.8 million (2010: a gain of approximately HK$11.7 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. The loss was mainly attributable to (i) the decrease in gain on disposal of available-for-sale investments; (ii) the decrease in fair value of derivative held for trading; and (iii) the net loss from foreign exchange.

Change in Fair Value of Derivative Financial Instruments

For the year ended 31 March 2011, the Group recorded a non-operating income of approximately HK$6.1 million arising from fair value adjustment in the embedded derivatives of convertible notes issued by the Company on 25 January 2010 (2010: a non-operating expense of approximately HK$31.0 million).

Distribution and Selling Costs

For the year ended 31 March 2011, The Group's distribution and selling costs were approximately HK$4.2 million (2010: HK$2.3 million), representing an increase of approximately HK$1.9 million or 78.7% as compared with the same period in 2010. The distribution and selling costs as a percentage of turnover was approximately 3.4% (2010: 2.4%) for the year ended 31 March 2011. The increase was mainly attributable to the plant moved to Dongguan from Shenzhen in the first half of the year and making the transportation cost slightly higher than before.

Administrative Expenses

For the year ended 31 March 2011, the Group's administrative expenses were approximately HK$78.0 million (2010: HK$27.5 million), representing a substantial increase of approximately HK$50.5 million or 183.3% as compared with the same period in 2010. The increase were a result of (i) a full year's administrative expenses were recognised in Wuhai Menggang Group (2010: two months' administrative expenses were recognised) (ii) the non-cash share based payments expenses arising from the amortization of a total 92,900,000 newly granted share options to eligible participants by the Company as disclosed in the announcement during the year; (iii) the increase in directors' remuneration and staff costs; and (iv) the increase in rental expenses in Hong Kong, litigation expense and land use tax in the PRC.

Other Expenses

For the year ended 31 March 2011, the Group's other expenses were approximately HK$7.7 million (2010: HK$0.8 million) which represent the direct labour costs, depreciation expense, consumables and other direct attributable costs related to the coal mining operation. The Group is in the process of various technical and quality improvements at the Group's coal mines in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority.

Finance Costs

For the year ended 31 March 2011, the Group's finance costs amounted to approximately HK$31.0 million (2010: HK$6.9 million). The increase was mainly due to the recognition of a full year's imputed interest expenses on the liability component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions (2010: only two months' imputed interests were recognised). This imputed interest expense has no impact on the cash flow positions of the Group.

Taxation

For the year ended 31 March 2011, the Group's income tax expenses was approximately HK$0.04 million (2010: HK$1.39 million), representing the result of income tax expenses approximately HK$0.38 million from Hong Kong, PRC and France and the credit adjustment of deferred tax approximately HK$0.34 million arising from the amortization of prepaid lease payment and mining rights in accordance with the tax regulations in the PRC during the year.

Loss for the year attributable to owners of the Company

The Group had recorded a loss of approximately HK$96.6 million (2010: loss of approximately HK$469.4 million), mainly due to no further impairment loss on goodwill recognised for the year ended 31 March 2011 (2010: an approximately HK$421.7 million one-off impairment loss on goodwill arising from the acquisitions).

Dividends

No final dividend for the year ended 31 March 2011 (2010: Nil) 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 2011, the Group had cash and cash equivalents of approximately HK$48.7 million (2010: HK$302.7 million). The Group's working capital decreased to approximately HK$62.7 million (2010: HK$235.5 million), mainly due to capital expenditure for the construction of Tinayu Coal Washing Plant, civil and earthwork for Mine No. 4 and technical improvement of the Group's Mine No. 1 in the PRC. Current ratio (a ratio of total current assets to total current liabilities) decreased by approximately 4.2% to 2.3 times (2010: 2.4 times). Gearing ratio (a ratio of total borrowings to total assets other than goodwill) as at 31 March 2011 was approximately 7.9% (2010: 15.1%), such decrease was mainly due to part of the convertible notes issued were converted and the repayment of bank loan during the year.

For the year ended 31 March 2011, the Group incurred a net cash outflow from operating activities of approximately HK$62.5 million (2010: net cash inflow generated approximately HK$30.7 million). In addition, the Group incurred a net cash outflow from investing activities of approximately HK$440.0 million (2010: HK$168.6 million), primarily due to (i) the payment of cash consideration for the deposit of HK$250 million in relation to the acquisition of Venture Path Limited ("Venture Path") and capital expenditure of HK$190.5 million on property, plant and equipment). The net cash inflow from financing activities of approximately HK$248.3 million (2010: approximately HK$385.2 million) mainly represented by the proceeds approximately HK$327.4 million from the placement of new shares; (ii) the repayment of the bank loan approximately HK$9.1 million; (iii) settlement of other payables approximately HK$61.1 million; and (iv) payment of transaction cost of approximately HK$8.6 million attributable to issue of new shares upon placing.

The Group has pledged its leasehold land and buildings with carrying value of approximately HK$3.0 million (31 March 2010: HK$3.1 million) to secure the unutilized general banking facilities granted to the Group and no other assets pledged at the day of reporting (31 March 2010: The Group had pledged its leasehold land and buildings with carrying values of approximately HK$12.6 million with deposit placed with the third party amounted to RMB2.0 million (equivalent to approximately HK$2.3 million) to secure the outstanding bank borrowing).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2011, there was capital commitment of approximately HK$130.3 million (31 March 2010: HK$108.3 million) and HK$167.3 million (31 March 2010: 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.

In addition, there were outstanding capital commitments of approximately HK$1,300 million in respect of acquisition of Tai Rong Xin Ye International Power Generation Inc. ("Tai Rong"). Pursuant to the S&P Agreement dated 28 January 2011, the Group conditionally agreed to acquire the entire issued share capital of the Venture Path at a consideration for HK$1,550 million from the Tai Rong.

Save as disclosed in this report and the tax audit initiated by the Inland Revenue Department on certain group companies, the Group had no material contingent liabilities as at the close of business on 31 March 2011.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

For the year ended 31 March 2011, the Group's net foreign exchange loss was approximately HK$2.5 million compared to the net foreign exchange gain of approximately HK$0.3 million in the same period of last year. 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. 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 2011, the Group had a total of approximately 1,650 employees in the PRC, Hong Kong and France. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-managed retirement benefit schemes for its employees in PRC and France. Remuneration packages are reviewed periodically.

The Group has also adopted a share option scheme. During the year, there were share options granted and a summary of the share option schemes of the Group will be set out in the annual report 2010/11.

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 2011.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Company, Champ Universe Limited, a wholly owned subsidiary of the Company and Tai Rong entered into the S&P Agreement dated 28 January 2011 to acquire the entire issued share capital of the Venture Path at a consideration for HK$1,550 million. The Venture Path which owns 拜城溫州礦業開發有限公司一礦3號井 (No. 3 decline of Mine One of Baicheng Wenzhou) and is located at Baicheng Country, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. The acquisition was completed on 15 June 2011.

LITIGATION

Pursuant to an equity transfer agreement dated 18 August 2007 between Wuhai City Menggang and the then equity-holders of Tianyu Gongmao (the "Original Equity-holders"), Wuhai City Menggang agreed to acquire the entire equity interest in Tianyu Gongmao from the Original Equity-holders at a cash consideration of RMB90 million, of which only RMB45 million has been paid by Wuhai City Menggang. Wuhai City Menggang did not settle the remaining consideration of RMB45 million because there was a dispute over the production capacity of Tianyu Gongmao.

A civil claim was brought by the Original Equity-holders to the PRC court against Wuhai City Menggang and pursuant to the first instance judgment handed down by the Wuhai City Intermediate People's Court (烏海市中級人民法院) in April 2009, Wuhai City Menggang was ordered to pay the remaining consideration of RMB45 million and the breach of contract fixed damages of RMB9 million to the Original Equity-holders. Wuhai City Menggang appealed to the Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) against the first instance judgment.

Upon the application of the Original Equity-holders, the Wuhai City Intermediate People's Court (烏海市中級人民法院) handed down the Civil Judgment (Wu Zhong Fa (2008) Min Yi Chu Zi No. 30) (烏中法(2008)民一初字第30號) on 19 January 2009 to freeze the entire equity interests in Tianyu Gongmao held by Wuhai City Menggang pending the outcome of the case. Pursuant to such order, Wuhai City Menggang would not be allowed to transfer or pledge its interest in, or receive any dividend from Tianyu Gongmao. The operation of Wuhai City Menggang and its subsidiaries however was not affected by such order or the litigation.

On 26 January 2010, Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) handed down the second instance judgment to reject the appeal of Wuhai City Menggang and upheld the first instance judgment. Wuhai City Menggang settled the case with the original equity holders by fulfilling the orders set out in the judgment in August 2010. As a result, the entire equity interest in Tianyu Gongmao held by Wuhai City Menggang, which were frozen upon the application of the original equity holders, have been released by the Wuhai City Intermediate People's Court (烏海市中級人民法院) on 26 August 2010.

As at 31 March 2011, the Group has settled the above-mentioned litigation and there is no any other litigation.

ESTIMATED COAL RESOURCES AND RESERVES

The table below presents the estimated coal reserves and resources of our coal mines as of 31 March 2011.

	Total coal resources (million tonnes)	**Total coal reserves** (million tonnes)
Mine #1	24.66	10.90
Mine #4	47.75	32.92
Total	72.41	43.82

Mine #1

a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC (內蒙古自治區烏海市), having an estimated total land area of approximately 2.4016 square kilometers, as more particularly identified by the location coordinates as set out in the Mine No. 1 mining operation permit.

Mine #4

a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC (內蒙古自治區烏海市), having an estimated total land area of approximately 4.0299 square kilometers, as more particularly identified by the location coordinates as set out in the Mine No. 4 mining operation permit.

Remarks:

1. Reserve and resource estimates have taken into account the estimated coal reserves and resources of our coal mines as of 31 March 2011 prepared by SRK Consulting China Limited ("SRK"), an independent technical reviewer in accordance with the Chinese Resource Classification ("Chinese Code").

2. Total coal reserves represent proven reserves and probable reserves of 43.82 million tones of both mines as of 31 March 2011 reported by SRK according to Chinese Code by determination of industrial resource deducting permanent pillars, protection pillars and mining loss from industrial resource.

3. Total coal resources estimate of both mines are 72.41 million tonnes as of 31 March 2011 reported by SRK under Chinese Code. The total resource is summation of the "Recoverable Resources" (resources available for mining) and the "Resource blocked by permanent pillars". The resource categorization is assigned according to Chinese Code and is believed not JORC Code compliant (the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee).

4. There has been no material change in the estimated coal reserves and resources of our coal mines prepared by SRK as of 28 December 2009, and the estimated coal reserves and resources of our coal mines as of 31 March 2011 and as set out in the table above.

FUTURE PROSPECTS

Looking forward, the demand for coking coal in international and domestic markets will still be tight and coking coal price is expected to rise continually. In addition, China is now actively promoting the integration and consolidation among coal mines through the merger, reorganization and shutdown of obsolete, small, inefficient and unsafe coal mines. The shortage in supply of coking mine may therefore be intensified. The year 2011 is the beginning of the Twelfth Five Year Plan and the rapid economic development of China leads to increasing demand for energy. The Group will actively seek merger and acquisition opportunities to expand its base of coal resources, and will capture appropriate timing for investing in projects with good return other than those related to coal resources. On 27 April 2011, the Group and Qinghai Muli Coal Development Group Co., Ltd. entered into a strategic cooperation framework agreement to jointly consolidate the exploitation work of Qinghai Muli Coalfield and actively participate in the investment of deep processing projects of coal chemicals. The Group is of the view that this project can provide a solid base for the consolidation of coal reserves which will enhance the long-term growth potential of the Group. On 18 May 2011, the Group and China Jingu International Trust Co., Ltd entered into a strategic cooperation agreement, both parties will establish a mining energy fund for the acquisition and integration of coal resources projects and construction work for production capacities improvement. Lastly, the Group will actively work in line with the Xinjiang development policy formulated by the central government and utilise sound communication channels to invest in development and acquisition projects of Xinjiang coal mines, with a view to increasing the total investment amount of the Company in the coal industry by the end of 2012. Hao Tian Resources will spare no efforts in developing itself into one of the large-scale coking coal enterprises in China.

Report of Directors

The Directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011.

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 its subsidiaries are principal engaged in the development and exploitation of underground coking coal mine in PRC and manufacture and sale of quality plastic and paper boxes for luxury consumer goods. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements for the year ended 31 March 2011.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income for the year ended 31 March 2011 on page 39 of this annual report. No final dividend was recommended by the Directors for the year ended 31 March 2011 (2010: nil).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2011, the Company's reserves available for distribution amounted to approximately HK$1,996,312,000. The distributable reserves include the Company's share premium reserve of approximately HK$2,008,087,000, 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 42 and 43 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

Details of the movements in the property, plant and equipment and mining rights of the Group are set out in note 18 and 22 to the consolidated financial statements respectively for the year ended 31 March 2011.

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 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 March 2011 is set out on page 126 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 2011.

DIRECTORS

The Directors during the year ended 31 March 2011 and up to the date of this annual report were:

Executive Directors:

Mr. Ma Lishan *(Chairman and Chief Executive Officer)* (appointed on 1 September 2010)
Mr. Fung Ka Pun *(Vice Chairman)* (appointed on 1 April 2010)
Mr. Ng Cheuk Fan, Keith
Mr. Mak Yiu Tong (appointed on 7 May 2010)

Non-Executive Director:

Ms. Fung Wing Ki, Vicky
Mr. Mok Chiu Kuen (resigned on 27 September 2010)

Independent Non-Executive Directors:

Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang (appointed on 1 August 2010)
Mr. Chan William (appointed on 1 September 2010)
Dr. Hui Ka Wah, Ronnie, *J.P.* (resigned on 27 September 2010)
Mr. Leung Man Chun, Paul (resigned on 27 September 2010)

According to the Company's Articles of Association, Mr. Ma Lishan, Mr. Chan William, Ms. Fung Wing Ki, Vicky, Dr. Tam Hok Lam, Tommy, *J.P.*, shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 2011, 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
Ma Lishan	Interest of a controlled corporation	Corporate interest	457,600,561 (Note 1)	317,158,822 (Note 1)		
	Beneficial owner	Personal interest		20,000,000 (Note 4)	794,759,383	32.96%
Fung Ka Pun	Beneficial owner	Personal interest	519,082	20,240,000 (Note 4)		
	Interest of controlled corporations	Corporate interest	22,187,594 (Note 2)			
	Beneficiary of trust	Other interest	80,000,000 (Note 3)			
	Interest of spouse	Spouse interest	3,444,313		126,390,989	5.24%
Ng Cheuk Fan, Keith	Beneficial owner	Personal interest	–	5,000,000 (Note 4)	5,000,000	0.21%
Mak Yiu Tong	Beneficial owner	Personal interest	–	2,000,000 (Note 4)	2,000,000	0.08%
Fung Wing Ki, Vicky	Beneficial owner	Personal interest	2,337,262	2,000,000 (Note 4)		
	Beneficiary of trust	Other interest	80,000,000 (Note 3)		84,337,262	3.50%
Dr. Tam Hok Lam, Tommy, *J.P.*	Beneficial owner	Personal interest	400,000		400,000	0.02%

Notes:

1. Ma Lishan has beneficial interest in Real Power Holdings Limited, which is owned as to 25% by China Capital Group Limited and 75% by TRXY Development (HK) Limited. China Capital Group Limited is beneficially owned as to 40% by Ma Lishan. As at 31 March 2011, Real Power Holdings Limited held 457,600,561 shares in the Company, representing approximately 18.98% of the issued share capital of the Company. In addition, 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$36,007,762.08 which were convertible into 317,158,822 shares, representing approximately 13.15% of the issued share capital of the Company.

2. Fung Ka Pun has beneficial interests in Bo Hing Limited ("Bo Hing") and Goodwill International (Holdings) limited, which was interested in 5,582 shares and 22,182,012 shares in the Company as at 31 March 2011, representing approximately 0.92% of the issued share capital of the Company.

3. 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 Fung Ka Pun, of which the discretionary objects include but not limited to Choi Hon Hing, Fung Wing Ki, Vicky and Fung Wing Yee, Wynne.

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.

Other than as disclosed above, as at 31 March 2011, 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 2011, 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	Total	Approximate percentage of total issued share capital
TRXY Development (HK) Limited	172,159,435	114,722,577 (Note 1)	Beneficial owner	1,061,641,395	44.02%
	457,600,561 (Note 2)	317,158,822 (Note 2)	Interest of a controlled corporation		
Li Shao Yu	629,759,996 (Note 3)	431,881,399 (Note 3)	Interest of controlled corporations	1,080,641,395	44.81%
		19,000,000 (Note 6)	Beneficial owner		
Real Power Holdings Limited	457,600,561	317,158,822 (Note 2)	Beneficial owner	774,759,383	32.13%
Choi Hon Hing	3,444,313		Personal interest	126,390,989	5.24%
	5,582 (Note 5)		Interest of a controlled Corporation		
	80,000,000 (Note 4)		Beneficiary of trust		
	22,701,094	20,240,000	Spouse interest		
Big Wish Investments Limited	144,300,000	793,650,038	Beneficial owner	937,950,038 (Note 7)	38.90%
CCB Financial Holdings Limited	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
CCB International (Holdings) Limited	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
CCB International Asset Management Limited	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%

Name	Number of shares of the Company held	Number of underlying shares of the Company held	Capacity	Total	Approximate percentage of total issued share capital
CCB International Assets Management (Cayman) Limited	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
CCB International Group Holdings Limited	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
Central Huijin Investment Ltd	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
China Construction Bank Corporation	167,145,416	793,650,038	Interest of a controlled Corporation	960,795,454 (Note 7)	39.84%
Kingston Finance Limited	420,840,518 (Note 8)	–	Beneficial owner	420,840,518	17.45%
Ample Cheer Limited	420,840,518 (Note 8)	–	Interest of a controlled Corporation	420,840,518	17.45%
Best Forth Limited	420,840,518 (Note 8)	–	Interest of a controlled Corporation	420,840,518	17.45%
Chu Yuet Wah	420,840,518 (Note 8)	–	Interest of a controlled Corporation	420,840,518	17.45%

Notes:

1. As at 31 March 2011, TRXY Development (HK) Limited was interested in convertible notes in the aggregate principal amount of US$13,024,714.83 which were convertible into 114,722,577 shares, representing approximately 4.76% of the issued share capital of the Company.

2. Real Power Holdings Limited is beneficially owned as to 25% by China Capital Group Limited and 75% by TRXY Development (HK) Limited. China Capital Group Limited is beneficially owned as to 40% by Ma Lishan. 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$36,007,762.08 which were convertible into 317,158,822 shares, representing approximately 13.15% of the issued share capital of the Company.

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

4. 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 Fung Ka Pun, the spouse of Choi Hon Hing, of which the discretionary objects include but not limited to Choi Hon Hing, Fung Wing Ki, Vicky and Fung Wing Yee, Wynne.

5. Choi Hon Hing has beneficial interests in Bo Hing and Goodwill International (Holdings) Limited, which was interested in 5,582 shares in the Company as at 31 March 2011, representing approximately 0.00023% 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 as beneficial owner under the Post-Listing Scheme adopted on 16 May 2006.

7. The seven references to 960,795,454 shares related to the same block of shares. Big Wish Investments Limited was interested in 937,950,038 shares and underlying shares in the Company. Big Wish Investments Limited is a wholly-owned subsidiary of CCB International Asset Management Limited ("CCBIAM"), in return, CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly-owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.09% of its interest is owned by Central Huijin Investment Limited. Accordingly, CCBIAM , CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited are deemed to be interested in these shares and underlying shares held in the Company by virtue of the provisions of the SFO.

8. The four references to 420,840,518 shares related to the same block of shares. Kingston Finance Limited was beneficial owner of these shares in the Company. Kingston Finance Limited is a wholly-owned subsidiary of Ample Cheer Limited,which in return 80% of its interest is owned by Best Forth Limited, in turn, Chu Yuet Wah has controlling interest in Best Forth Limited. Accordingly, Ample Cheer Limited, Best Forth Limited and Chu Yuet Wah are deemed to be interested in these shares held in the Company by virtue of the provisions of the SFO.

Other than as disclosed above, as at 31 March 2011, 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.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the consolidated financial statements for the year ended 31 March 2011, 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 2011.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2011, the aggregate sales attributable to the Group's largest customer and five largest customers respectively accounted for approximately 31.1% and 60.7% 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 14.0% and 32.8% 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 TRANSACTION

On 28 January 2011, Champ Universe Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "S&P Agreement") in respect of acquisition of entire issued share capital of Venture Path Limited (the "Target Company") with Tai Rong Xin Ye International Power Generation Inc, pursuant to which the Purchaser conditionally agreed to acquired from the Vendor, and the Vendor conditionally agreed to dispose of, the entire issued share capital of the Target Company at a consideration for HK$1,550,000,000. The purpose of this acquisition is to further develop its coal mining business operation and to provide a solid base for the consolidation of coal reserves in enhancing the long-term growth potential of the Group. Details of the S&P Agreement and financial information of the Target Company are set out in the Company's announcement and circular dated 30 January 2011 and 25 May 2011 respectively.

Save as abovementioned connected transaction, the Company or its subsidiaries did not have any material connected transactions which were subject to the requirements of the Listing Rules during the year ended 31 March 2011.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of the 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

Ma Lishan
Chairman

Hong Kong
20 June 2011

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 2011, 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 has the responsibility of overseeing the operations of the Company including formulation and approval of overall business strategies and policies, investment proposals, annual budget, financial results, internal control and monitoring of the performance of the management of the Group and affairs with the objective of enhancing shareholders' interest.

As at the date of this report, the Board comprises four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors whose biographical details are set out on pages 5 to 7 of this annual report.

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 attendance of the Directors at the Board meetings for the year ended 31 March 2011 is set out as follows:

	Number of meetings attended/held
Executive Directors:	
Mr. Ma Lishan*	5/6
Mr. Fung Ka Pun**	11/12
Mr. Ng Cheuk Fan, Keith	12/12
Mr. Mak Yiu Tong***	12/12
Non-Executive Director:	
Ms. Fung Wing Ki, Vicky	11/12
Mr. Mok Chiu Kuen#	6/6
Independent Non-Executive Directors:	
Dr. Tam Hok Lam, Tommy, *J.P.*	11/12
Mr. Zhu Yongguang****	6/8
Mr. Chan William*	4/6
Dr. Hui Ka Wah, Ronnie, *J.P.*#	5/6
Mr. Leung Man Chun, Paul#	5/6

* Appointed as a director with effect from 1 September 2010
** Appointed as a director with effect from 1 April 2010
*** Appointed as a director with effect from 7 May 2010
**** Appointed as a director with effect from 1 August 2010
\# Resigned as a director with effect from 27 September 2010

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 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.

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. Independent Non-Executive Directors were appointed for a term of two or three years subject to retirement by rotation at the annual general meeting of the Company.

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 2010/2011, Mr. Ma Lishan, the Chairman, assumed the role of chief executive officer, takes a leading role in the day-to-day management and is responsible for effective functioning of the Board, the Chairman is also responsible for the overall strategic development of the Company. 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 chief financial officer 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 2011 is set out in the Independent Auditor's Report on pages 37 and 38 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, 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 2011 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 the Audit Committee)*
Mr. Zhu Yongguang
Mr. Chan William

The principal duties of the Audit Committee are to review and to supervise the Group's statutory audit, interim and annual accounts of the Group and internal control system. 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. The attendance of the Directors at the meetings for the year ended 31 March 2011 is set out as follows:

	Number of meetings attended/held
Independent Non-Executive Directors:	
Dr. Tam Hok Lam, Tommy, *J.P.*	2/2
Mr. Zhu Yongguang*	1/1
Mr. Chan William**	1/1
Dr. Hui Ka Wah, Ronnie, *J.P.*#	0/1
Mr. Leung Man Chun, Paul#	1/1

* Mr. Zhu became a member of the Audit Committee since 1 August 2010

** Mr. Chan became a member of the Audit Committee since 1 September 2010

\# Dr. Hui and Mr. Leung resigned as a member of the Audit Committee with effect from 27 September 2010

The Audit Committee has reviewed the audited accounts and final results announcement for the year ended 31 March 2011 and the interim report and the interim results announcement for the six months ended 30 September 2010. It also reviewed the accounting principles and practices adopted by the Group and ensured the compliance with relevant accounting standards, the listing rules and other statutory requirements. In addition, it reviewed the effectiveness of internal control and recommended to the Board for approval of the audit fee proposal for the Group for the year ended 31 March 2011.

For the year ended 31 March 2011, the Group paid Deloitte Touche Tohmatsu, the external auditor of the Group, HK$1,280,000 and HK$1,458,000 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 the Chairman and two Independent Non-Executive Directors, namely:

Mr. Ma Lishan *(Chairman of the Nomination Committee)*
Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang

The attendance of the Directors at the meetings for the year ended 31 March 2011 is set out as follows:

	Number of meetings attended/held
Mr. Ma Lishan*	0/0
Dr. Tam Hok Lam, Tommy, *J.P.*	2/2
Mr. Zhu Yongguang**	1/1
Mr. Fung Ka Pun#	2/2
Dr. Hui Ka Wah, Ronnie, *J.P.*##	2/2

* Mr. Ma became a member of the Nomination Committee since 1 September 2010
** Mr. Zhu became a member of the Nomination Committee since 1 August 2010
# Mr. Fung resigned as a member of the Nomination Committee since 1 September 2010
Dr. Hui resigned as a member of the Nomination Committee since 27 September 2010

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 three members, including two Independent Non-Executive Directors and the Chairman, namely:

Mr. Fung Ka Pun *(Chairman of the Remuneration Committee)*
Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang

The Remuneration Committee meeting 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 2011 is set out as follows:

	Number of meetings attended/held
Mr. Fung Ka Pun	3/3
Dr. Tam Hok Lam, Tommy, *J.P.*	3/3
Mr. Zhu Yongguang*	1/1
Dr. Hui Ka Wah, Ronnie, *J.P.*#	3/3
Mr. Leung Man Chun, Paul#	2/3

* Mr. Zhu became a member of the Remuneration Committee since 1 August 2010

\# Dr. Hui and Mr. Leung resigned as a member of the Remuneration Committee with effect from 27 September 2010

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 2011. 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 14 and 15 respectively to the consolidated financial statements.

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. Ma Lishan, Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Mr. Mak Yiu Tong. 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 maintain high degree of transparency to ensure that the investors and the shareholders receive accurate, comprehensive and timely information of the Group by publication of announcements, circulars, interim and annual reports. The Company also publishes the abovementioned information to the Company's website at http://www.haotianhk.com.

The Board endeavours to maintain regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, business operations, management and developments. The Chairman of the Board and the committee members are normally attend the annual general meeting and other general meetings to answer questions at such meeting.

SHAREHOLDER'S RIGHT

Separate resolutions are proposed at general meetings on each substantial issue, including the election of Directors for shareholders' consideration and voting.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and the poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

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
昊天能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hao Tian Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 125, which comprise the consolidated statement of financial position as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 of the consolidated financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 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
20 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
Revenue	7	**122,099**	97,029
Cost of sales		**(103,072)**	(85,641)
Gross profit		**19,027**	11,388
Other income, gain and loss	9	**(672)**	8,509
Distribution and selling costs		**(4,194)**	(2,347)
Administrative expenses		**(77,992)**	(27,530)
Other expenses	10	**(7,743)**	(763)
Change in fair value of investments held for trading		**(120)**	4,003
Change in fair value of derivative financial instruments		**6,089**	(30,974)
Impairment loss recognised in respect of available-for-sale investments		**–**	(780)
Impairment loss recognised in respect of property, plant and equipment and investment property		**–**	(912)
Impairment loss recognised in respect of goodwill	23	**–**	(421,732)
Finance costs	11	**(31,004)**	(6,886)
Loss before taxation		**(96,609)**	(468,024)
Taxation	12	**(37)**	(1,385)
Loss for the year attributable to owners of the Company	13	**(96,646)**	(469,409)
Other comprehensive income			
Exchange difference on translation of foreign operations		**76,199**	1,045
Available-for-sale investments:			
– fair value changes during the year		**(407)**	853
– reclassified adjustment to profit or loss on disposal		**(832)**	(130)
Other comprehensive expense for the year, net of tax		**74,960**	1,768
Total comprehensive income for the year attributable to owners of the Company		**(21,686)**	(467,641)
Loss per share	17		
– Basic (HK cents)		**(4.80)**	(74.65)

Consolidated Statement of Financial Position

At 31 March 2011

	NOTES	**31.3.2011 HK$'000**	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	18	**263,770**	69,990	17,490
Prepaid lease payments	19	**26,054**	26,111	739
Investment property	20	**1,025**	1,058	1,090
Goodwill	21	**–**	–	10,523
Mining rights	22	**1,988,480**	1,903,116	–
Available-for-sale investments	24	**13,061**	21,457	34,156
Deposits for acquisition of subsidiaries	38(c)	**250,000**	–	–
Pledge bank deposits		**–**	–	5,317
Deposits for acquisition of property, plant and equipment		**90,854**	79,286	–
Deferred tax assets	25	**205**	205	205
		2,633,449	2,101,223	69,520
Current assets				
Inventories	26	**26,781**	21,189	29,417
Trade receivables	27	**20,141**	8,915	15,876
Bills receivable	27	**347**	399	1,557
Other receivables, deposits and prepayments	27	**11,259**	10,216	12,112
Investments held for trading	28	**184**	303	12,500
Prepaid lease payments	19	**1,129**	1,081	–
Tax recoverable		**2,934**	1,641	2,388
Restricted bank deposits	29	**–**	54,586	–
Bank balances and cash	27	**48,676**	302,671	54,659
		111,451	401,001	128,509
Current liabilities				
Trade payables	30	**14,811**	5,901	6,700
Other payables, deposits received and accruals	30	**31,909**	148,485	12,802
Bank borrowing	31	**–**	9,080	–
Tax payable		**2,060**	2,078	373
		48,780	165,544	19,875
Net current assets		**62,671**	235,457	108,634
Total assets less current liabilities		**2,696,120**	2,336,680	178,154

Consolidated Statement of Financial Position

At 31 March 2011

	NOTES	**31.3.2011 HK$'000**	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current liabilities				
Retirement benefits obligations	32	**1,203**	1,138	1,057
Convertible notes	33	**217,835**	369,294	–
Embedded derivatives	33	**180,882**	392,765	–
Deferred tax liabilities	25	**496,365**	475,201	–
		896,285	1,238,398	1,057
Net assets		**1,799,835**	1,098,282	177,097
Capital and reserves				
Share capital	34	**120,573**	84,309	20,574
Reserves	35	**1,679,262**	1,013,973	156,523
Equity attributable to owners of the Company		**1,799,835**	1,098,282	177,097

The consolidated financial statements on pages 39 to 125 were approved and authorised for issue by the Board of Directors on 20 June 2011 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 31 March 2011

	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$'000	Retained profit (accumulated losses) HK$'000	Total equity attributable to owners of the Company HK$'000
At 1 April 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 16)	–	–	–	–	–	–	–	(5,028)	(5,028)
At 31 March 2010	84,309	1,337,384	3,539	470	2,639	(5,754)	9,501	(333,806)	1,098,282
Loss for the year	–	–	–	–	–	–	–	(96,646)	(96,646)
Other comprehensive income	–	–	–	–	(1,239)	–	76,199	–	74,960
Total comprehensive income for the year	–	–	–	–	(1,239)	–	76,199	(96,646)	(21,686)
Issue of new shares due to exercise of share options	20	295	–	–	–	–	–	–	315
Issue of new shares upon placing	18,187	309,179	–	–	–	–	–	–	327,366
Issue of new shares upon conversion of convertible notes (note 33)	18,057	369,650	–	–	–	–	–	–	387,707
Transaction costs attributable to issue of new shares upon placing	–	(8,572)	–	–	–	–	–	–	(8,572)
Transfer upon exercise of share options	–	151	–	(151)	–	–	–	–	–
Transfer upon forfeiture of share options	–	–	–	(157)	–	–	–	157	–
Recognition of equity-settled share-based payments	–	–	–	16,423	–	–	–	–	16,423
At 31st March, 2011	**120,573**	**2,008,087**	**3,539**	**16,585**	**1,400**	**(5,754)**	**85,700**	**(430,295)**	**1,799,835**

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 31 March 2010, the board of directors of Winbox Plastic Manufacturing (Shenzhen) approved the transfer of approximately HK$1,258,000 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 from 31 March 2002, 2003 and 2007. 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. During the year ended 31 March 2011, no transfer from retained profits to the statutory reserve since Winbox Plastic Manufacturing (Shenzhen) incurred net loss during the year.

(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 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before taxation	**(96,609)**	(468,024)
Adjustments for:		
Dividend income from available-for-sale investments	**(9)**	(847)
Interest income	**(518)**	(481)
Finance costs	**31,004**	6,886
Depreciation of property, plant and equipment and investment property	**4,332**	1,977
Release of prepaid lease payments	**1,173**	207
Share-based payments	**16,423**	275
Gain on disposal of available-for-sale investments	**(832)**	(6,738)
Change in fair value of investments held for trading	**120**	(4,003)
Change in fair value of derivative financial instruments	**(6,089)**	30,974
Impairment loss recognised in respect of goodwill	**–**	421,732
Impairment loss recognised in respect of available-for-sale investments	**–**	780
Impairment loss recognised in respect of property, plant and equipment and investment property	**–**	912
Operating cash flows before movements in working capital	**(51,005)**	(16,350)
(Increase) decrease in inventories	**(5,622)**	8,617
(Increase) decrease in trade receivables	**(11,249)**	7,026
Decrease in bills receivable	**29**	1,185
(Increase) decrease in other receivables, deposits and prepayments	**(1,044)**	6,280
Decrease in investments held for trading	**–**	16,200
Increase (decrease) in trade payables	**8,923**	(837)
(Decrease) increase in other payables, deposits received and accruals	**(847)**	7,545
Cash (used in) generated from operations	**(60,815)**	29,666
Income tax (paid) refund	**(1,684)**	1,024
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(62,499)**	30,690

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(190,547)**	(2,178)
Increase in deposit for acquisition of property, plant and equipment		**(7,989)**	–
Purchases of available-for-sale investments		**(3,988)**	(613)
Deposits for acquisitions of subsidiaries	38(c)	**(250,000)**	–
Proceeds from disposal of available-for-sale investments		**11,977**	19,993
Interest received		**518**	481
Dividends received from available-for-sale investments		**9**	847
Decrease in pledged bank deposits		**–**	5,317
Acquisition of subsidiaries	36	**–**	(192,457)
NET CASH USED IN INVESTING ACTIVITIES		**(440,020)**	(168,610)
FINANCING ACTIVITIES			
Dividend paid		**–**	(5,028)
Interest paid		**(551)**	(121)
Repayment of borrowing		**(9,080)**	–
Proceeds from exercise of share options		**315**	2,794
Transaction costs attributable to issue of new shares upon placing		**(8,572)**	(28,560)
Repayment on Indemnity Obligations (defined in note 29)		**(11,446)**	(112,728)
Repayment on loan from a former shareholder of acquired subsidiaries		**(49,685)**	(169,512)
Proceeds from placement of new shares		**327,366**	698,312
NET CASH FROM FINANCING ACTIVITIES		**248,347**	385,157
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(254,172)**	247,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**302,671**	54,659
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**177**	775
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY			
Bank balances and cash		**48,676**	302,671

1. GENERAL

The Company was incorporated in the Cayman Islands on 30 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 "Corporate Information" section to the annual report.

Pursuant to the special resolution of the Company dated on 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.

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

The directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements taking into account its internal generated funds and financial resources to be obtained after the end of the reporting period, including the proceeds to be obtained from the exercise of subscription rights attaching to the warrants and the funds to be obtained from the strategic cooperation agreement entered with a financial institution and accordingly, have prepared the consolidated financial statements on a going concern basis. Details of the financial resources to be obtained after the end of the reporting period are set out note 42.

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").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

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

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in the consolidated financial statements and disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations applied in the current year

HKFRS 3 (as revised in 2008) "Business Combinations" & HKAS 27 (as revised in 2008) "Consolidation and Separate Financial Statements"

The Group applies HKFRS 3 (as revised in 2008) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the year in which HKFRS 3 (as revised in 2008) is applicable, the application of HKFRS 3 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting years.

Result of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs are applicable.

Amendments to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as land use right in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

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

New and revised Standards and Interpretations applied in the current year (continued)

Amendments to HKAS 17 "Leases" *(continued)*

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1 April 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. The application of this amendment has no significant financial impact to the Group's profit for the current and prior periods.

The effect of changes in accounting policies described above on the financial position of the Group as at 1 April 2010 and 31 March 2010 is as follows:

	As at 1.4.2009 (originally stated)	Adjustments	As at 1.4.2009 (restated)	As at 31.3.2010 (originally stated)	Adjustments	As at 31.3.2010 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	14,847	2,643	17,490	67,415	2,575	69,990
Prepaid lease payments	3,382	(2,643)	739	29,767	(2,575)	27,192
Total effects on net assets	18,229	–	18,229	97,182	–	97,182

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

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKFRS 9	Financial Instruments[6]
HKAS 24 (as revised in 2009)	Related party disclosures[4]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Amendments that all effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for accounting periods beginning on or after 1 July 2010.
3 Effective for accounting periods beginning on or after 1 July 2011.
4 Effective for accounting periods beginning on or after 1 January 2011.
5 Effective for accounting periods beginning on or after 1 January 2012.
6 Effective for accounting periods beginning on or after 1 January 2013.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9: Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

New and revised Standards and Interpretations issued but not yet effective (continued)

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 April 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of this new Standard may mainly affect the classification and measurement of the Groups' available for sale investments.

The directors of the Company anticipate that the application of the other new and revised Standards and 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 values, as explained 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 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 in full on consolidation.

Business combinations

The acquisition of businesses was 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 relevant conditions for recognition were recognised at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill arising on acquisition was 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.

Goodwill

Goodwill arising on an acquisition of a subsidiary was 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 mining rights is their fair value at the acquisition date.

Subsequent to initial recognition, mining rights with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for mining rights with finite useful lives is provided on the units of production method utilising only recoverable coal reserves as the depletion base.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

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.

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, 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

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).

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 to 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 accumulated losses.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

Renewal of mining right permits

The Group owns two mining right permits which will be expired in December 2012 and 2013, the renewal is subject to the approval by the relevant PRC authority. The Group's mining right permits are required to renew for every three years. 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 their expiry.

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 24 years (see note 23). 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 upon their expiry, the carrying value of the mining rights of approximately HK$1,988,480,000 (2010: 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 amounts of the mining rights and mining structures, which significant impairment loss might be recognised.

Furthermore, the Group's qualified technicians have prepared a detail work plan for the technical and quality improvement works and the future development of the Group's coal mine. In the opinion of the directors, the Group is able to complete the technical and quality improvement and the future development of the Group's coal mines in accordance with the prevailing PRC standards and such mine modifications works will not affect the continuously renewal of its mining rights at minimal costs before their expiry.

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 convertible notes (2010: bank borrowings and convertible notes) and equity attributable to owners of the Company, comprising issued share capital, reserves and set off with accumulated losses.

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

	2011	2010
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL		
– Held for trading	**184**	303
Loans and receivables (including cash and cash equivalents)	**76,567**	373,626
Available-for-sale investments	**13,061**	21,457
	89,812	395,386
Financial liabilities		
Financial liabilities at FVTPL		
– Embedded derivatives	**180,882**	392,765
Amortised cost	**264,555**	532,760
	445,437	925,525

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, bills receivable, other receivables, 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**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**22,346**	175,177	**327**	327
United States Dollars ("US$")	**19,925**	74,511	**398,947**	762,289
Euro	**6,550**	6,550	**6**	6
Australian Dollars	**60**	60	**–**	–
Others	**1,182**	1,180	**93**	93

In addition, as at 31 March 2011, the directors considered that the Group's exposure to foreign currency risk arisen from intra-group loan from foreign operation of approximately HK$223,891,000 (2010: intra-group loans from foreign operation of approximately HK$33,292,000), which were not denominated in the functional currency of the group entities. 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.

	2011 **HK$'000**	2010 HK$'000
Decrease in loss for the year	**13,181**	10,826

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank balances and restricted bank deposits (2010: bank balances, restricted bank deposits and bank borrowing) carried prevailing market interest rate. The interest rate risk on bank balances and restricted bank deposits (2010: bank balances, restricted bank deposits and bank borrowing) is 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.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Interest rate risk management (continued)

The Group is also exposed to fair value interest rate risk in relation to convertible notes as at 31 March 2011.

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 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 considered that the investment in debt and equity securities is not the main business of the Group and is in the process to dispose these investments in the long run to minimise the investment risk embedded, except for the available-for-sale investment of HK$3,583,000, which is acquired during the year ended 31 March 2011, as the investment could generate stable interest income to the Group.

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:

	2011 **HK$'000**	2010 HK$'000
Decrease in loss for the year	**18**	30
Increase in other comprehensive income for the year	**641**	798

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Price risk on debt and equity securities (continued)

Sensitivity analysis (continued)

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:

	2011 HK$'000	2010 HK$'000
Increase in loss for the year	**18**	30
Decrease in other comprehensive income for the year	**641**	798

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

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.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Price risk on embedded conversion option (continued)

Sensitivity analysis

The sensitivity analysis 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$23,223,000 (2010: HK$47,296,000).

In the opinion of the directors of the Company, the sensitivity analysis above are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion option embedded in the convertible notes involves multiple variables and certain variables are interdependent.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2011 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 31 March 2011 and 2010, 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.

During the year ended 31 March 2010, the Group recognised impairment loss in respect of available-for-sale investments of HK$780,000. Details are set out in note 24.

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.

6. FINANCIAL INSTRUMENTS (continued)

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

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
2011						
Trade payables	**-**	**14,811**	**-**	**-**	**14,811**	**14,811**
Other payables, deposits received and accruals	**-**	**31,909**	**-**	**-**	**31,909**	**31,909**
Convertible notes	**8.520**	**-**	**-**	**380,056**	**380,056**	**398,717**
		46,720	**-**	**380,056**	**426,776**	**445,437**
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)

(c) Fair value

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

- the fair value of listed equity securities and listed debentures 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 transaction prices in the secondary markets. The price of the most recent transaction provides evidence of the current fair value if there has not been significant change in economic circumstances since the time of the transaction;

- 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.

- 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).

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	31 March 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Embedded conversion option of convertible notes	–	–	180,882	180,882
Available-for-sale investments	3,696	2,710	–	6,406
Investment held for trading	184	–	–	184
	3,880	2,710	180,882	187,472

	31 March 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
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.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

Reconciliation of level 3 fair value measurements of financial liabilities

	HK$'000
At 1 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 31 March 2010	392,765
Conversion during the year	(205,794)
Total gain or loss	
– Change in fair value	(6,089)
At 31 March 2011	**180,882**

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:

	2011 **HK$'000**	2010 HK$'000
Sale of plastic and paper boxes for luxury consumer goods	**122,099**	96,968
Sale of coal	**–**	61
	122,099	97,029

8. SEGMENT INFORMATION

The Group is currently organised into below operating divisions:

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

(i) China Operation – Winbox Company Limited, Winbox Plastic Manufacturing (Shenzhen), Donguang Ever Green Plastic Manufacturing Company Limited, First Light Investments Limited and Winpac Trading Co. Limited

(ii) France Operation – Dardel S.A.S. ("Dardel")

(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

These operating divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

No segment assets and liabilities is presented as the chief operating decision maker does not regularly review segment assets and liabilities.

8. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2011

	Sale of plastic and paper boxes for luxury consumer goods China Operation HK$'000	France Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Revenue	90,506	31,593	-	122,099
Segment results	(10,813)	2,263	(21,112)	(29,662)
Other income, gain and loss				(672)
Central administration costs				(41,240)
Change in fair value of investments held for trading				(120)
Change in fair value of derivatives financial instruments				6,089
Finance costs				(31,004)
Loss before taxation				(96,609)

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 March 2010

	Sale of plastic and paper boxes for luxury consumer goods China Operation HK$'000	France Operation HK$'000	Coal Mining Operation HK$'000	Consolidated HK$'000
Revenue	71,812	25,156	61	97,029
Segment results	(8,882)	(11,971)	(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)

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, share-based payments 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)

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 31 March 2011						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	148	1,375	189,024	190,547	–	190,547
Depreciation of property, plant and equipment and investment property (note)	195	1,432	2,534	4,161	171	4,332
Release of prepaid lease payments (note)	–	–	1,156	1,156	17	1,173
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:						
Finance cost	–	8	543	551	30,453	31,004
Taxation (credit) charge	358	17	(338)	37	–	37

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 (Restated)
For the year ended 31 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	1,336	262	1,798	179	1,977
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	19	207
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

Note: Non-current assets excluded available-for-sale investments, 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	
	2011	2010
	HK$'000	HK$'000
Sale of plastic and paper boxes for luxury goods		
Hong Kong	**38,809**	31,611
France	**31,893**	28,245
Germany	**21,791**	12,862
Italy	**5,117**	5,062
Netherlands	**3,964**	–
Switzerland	**8,573**	4,625
United Kingdom	**–**	3,401
North America	**2,269**	2,896
Other region	**9,683**	8,266
	122,099	96,968
Developing of underground coking coalmine, coal production and sale of coal		
The PRC	**–**	61
Total	**122,099**	97,029

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)	
	2011	2010
	HK$'000	HK$'000
Hong Kong	**8,809**	11,463
The PRC	**2,604,274**	2,061,160
France	**7,100**	6,938
	2,620,183	2,079,561

Note: Non-current assets excluded available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the year ended 31 March 2011 and 2010 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:

	2011	2010
	HK$'000	HK$'000
Customer A	**38,016**	31,124
Customer B	**16,344**	12,169
Customer C	**10,331**	11,836

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

9. OTHER INCOME, GAIN AND LOSS

	2011 HK$'000	2010 HK$'000
Dividend income from listed available-for-sale investments	9	381
Dividend income from unlisted available-for-sale investments	–	466
Gain on disposal of available-for-sale investments	832	6,738
Interest earned on bank deposits	432	251
Interest earned on listed available-for-sale investments	86	–
Interest earned on listed debt securities held for trading	–	230
Net foreign exchange (loss) gain	(2,453)	252
Sundry income	422	191
	(672)	8,509

10. OTHER EXPENSES

The Group is in the process of various technical and quality improvements for one of the coal mines in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority and the other mine is under development stage as at 31 March 2011. Accordingly, the Group had no coal production and sales of coal for both years. Other expenses represent the direct labour costs, depreciation expense, consumables and other direct attributable costs related to the coal mining improvement expenditure.

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank borrowing wholly repayable within five years	550	121
Imputed interest expense on convertible notes (note 33)	30,454	6,765
	31,004	6,886

12. TAXATION

	2011 **HK$'000**	2010 HK$'000
Current tax:		
Hong Kong	**17**	22
Other jurisdictions	**363**	–
	380	22
(Over) underprovision in prior years:		
Hong Kong	**–**	2,061
Other jurisdictions	**(5)**	(655)
	(5)	1,406
Deferred tax:		
Current year (note 25)	**(338)**	(43)
Taxation for the year	**37**	1,385

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") Implementation Regulations of the EIT Law, the tax rate is 25% from 1 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 22% for the period from 1 January 2010 to 31 December 2010 and 24% for the period from 1 January 2011 to 31 March 2011 (1.4.2009 to 31.12.2009: 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.

12. TAXATION (continued)

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

During the year ended 31 March 2010 and 2011, 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 to 2009/2010. 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 31 March 2010. During the year ended 31 March 2011, the Group has applied hold over for the full amount and purchased tax reserve certificate of approximately HK$1.3 million and subsequent to the end of the reporting period, the Group purchased additional tax certificate of HK$2 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:

	2011 **HK$'000**	2010 HK$'000
Loss before taxation	**(96,609)**	(468,024)
Tax at Hong Kong Profits Tax rate of 16.5%	**(15,940)**	(77,224)
Tax effect of expenses not deductible for tax purposes	**15,241**	77,155
Tax effect of income not taxable for tax purposes	**(2,667)**	(3,043)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**205**	514
(Over) underprovision in respect of prior years	**(5)**	1,406
Tax effect of estimated tax losses not recognised	**3,203**	2,577
Taxation for the year	**37**	1,385

13. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (Restated)
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,487**	980
Cost of inventories recognised as an expense	**103,072**	85,641
Depreciation of property, plant and equipment and investment property	**4,332**	1,977
Release of prepaid lease payments	**1,173**	207
Operating lease rentals in respect of rented premises	**7,070**	7,413
Staff costs:		
Directors' emoluments (note 14)	**16,023**	2,062
Other staff costs		
– salaries, bonus and other allowances	**60,853**	40,876
– retirement benefit scheme contributions	**3,116**	3,655
– share-based payments	**5,201**	136
	85,193	46,729

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight directors were as follows:

	2011					2010				
	Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000	Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Ma Lishan (Note a)	-	1,188	11	2,482	3,681	–	–	–	–	–
Fung Ka Pun (Note b)	-	2,040	8	7,623	9,671	–	–	–	–	–
Ng Cheuk Fan, Keith	-	390	12	621	1,023	–	220	7	–	227
Mak Yiu Tong (Note c)	-	162	8	248	418	–	–	–	–	–
Fung Wing Ki, Vicky	-	325	12	248	585	–	265	11	18	294
Tam Hok Lam, Tommy	173	-	-	-	173	118	–	–	26	144
Zhu Yongguang (Note d)	123	-	-	-	123	–	–	–	–	–
Chan William (Note a)	105	-	-	-	105	–	–	–	–	–
Choi Hon Hing (Note e)	-	-	-	-	-	–	672	12	25	709
Fung Wing Yee, Wynne (Note e)	-	-	-	-	-	–	274	11	18	303
Hui Ka Wah, Ronnie (Note f)	81	-	-	-	81	118	–	–	26	144
Leung Man Chun, Paul (Note f)	74	-	-	-	74	110	–	–	26	136
Mok Chiu Kuen (Note f)	89	-	-	-	89	105	–	–	–	105
	645	4,105	51	11,222	16,023	451	1,431	41	139	2,062

Notes:

(a) On 1 September 2010, Mr. Ma Lishan and Mr. Chan William were appointed as directors of the Company.

(b) On 1 April 2010, Mr. Fung Ka Pung was appointed as director of the Company.

(c) On 7 May 2010, Mr. Mak Yiu Tong was appointed as director of the Company.

(d) On 1 August 2010, Mr. Zhu Yongguang was appointed as director of the Company.

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

(f) On 27 September 2010, Mr. Mok Chiu Kuen, Mr. Hui Ka Wah, Ronnie and Mr. Leung Man Chun, Paul 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.

15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: one) were directors of the Company whose emoluments is included in the disclosures in note 14 above. The emoluments of the remaining three individuals (2010: four individuals) were as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries and other allowances	**3,648**	3,400
Bonus	**–**	162
Retirement benefit scheme contributions	**22**	228
Share-based payments	**3,103**	30
	6,773	3,820

The emoluments were within the following bands:

	2011 **No. of** **employees**	2010 No. of employees
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**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.

16. DIVIDEND

	2011 HK$'000	2010 HK$'000
Dividend recognised as distribution – nil (final dividend 2009: HK$0.012) per share	–	5,028

No final dividend has been proposed by the directors for both years.

17. LOSS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	(96,646)	(469,409)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,015,323	628,855

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.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings on freehold land HK$'000	Leasehold land and buildings HK$'000	Mining structures HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, and equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
COST											
At 1 April 2009 – originally stated	497	6,899	7,346	–	–	4,091	7,318	3,497	8,175	252	38,075
Effect of changes in accounting policies (note 2)	–	–	3,484	–	–	–	–	–	–	–	3,484
At 1 April 2009 (Restated)	497	6,899	10,830	–	–	4,091	7,318	3,497	8,175	252	41,559
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 31 March 2010	507	7,034	13,630	39,546	1,391	5,338	14,788	4,720	8,241	1,803	96,998
Exchange adjustments	29	406	213	2,254	4,173	9	684	144	17	165	8,094
Additions	–	–	–	–	177,814	1,264	5,255	1,460	–	4,754	190,547
Transfer	–	–	1,307	18,056	(19,363)	–	–	–	–	–	–
At 31 March 2011	**536**	**7,440**	**15,150**	**59,856**	**164,015**	**6,611**	**20,727**	**6,324**	**8,258**	**6,722**	**295,639**
DEPRECIATION AND IMPAIRMENT											
At 1 April 2009 – originally stated	–	725	2,092	–	–	3,342	6,713	2,417	7,873	66	23,228
Effect of changes in accounting policies (note 2)	–	–	841	–	–	–	–	–	–	–	841
At 1 April 2009 (Restated)	–	725	2,933	–	–	3,342	6,713	2,417	7,873	66	24,069
Exchange adjustments	–	14	–	–	–	–	–	68	–	–	82
Provided for the year	–	170	272	–	–	401	379	498	132	93	1,945
Impairment loss recognised in profit or loss	–	–	–	–	–	912	–	–	–	–	912
At 31 March 2010	–	909	3,205	–	–	4,655	7,092	2,983	8,005	159	27,008
Exchange adjustments	–	101	59	–	–	8	243	113	9	29	562
Provided for the year	–	213	301	–	–	552	1,628	744	124	737	4,299
At 31 March 2011	**-**	**1,223**	**3,565**	**-**	**-**	**5,215**	**8,963**	**3,840**	**8,138**	**925**	**31,869**
CARRYING VALUES											
At 31 March 2011	**536**	**6,217**	**11,585**	**59,856**	**164,015**	**1,396**	**11,764**	**2,484**	**120**	**5,797**	**263,770**
At 31 March 2010	507	6,125	10,425	39,546	1,391	683	7,696	1,737	236	1,644	69,990
At 1 April 2009	497	6,174	7,897	–	–	749	605	1,080	302	186	17,490

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%
Leasehold land and 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%

18. 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 31 March 2011 and 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 freehold land and buildings on freehold land of the Group are located outside Hong Kong.

As at the end of the reporting period, leasehold land and buildings of HK$4,388,000 (2010: HK$3,228,000) are located outside Hong Kong and remaining of HK$7,197,000 (2010: HK$7,197,000) are located in Hong Kong. The leasehold land and buildings of the Group are held under medium-term lease.

19. PREPAID LEASE PAYMENTS

	31.3.2011 **HK$'000**	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Analysed for reporting purpose as			
Current asset	**1,129**	1,081	–
Non-current asset	**26,054**	26,111	739
	27,183	27,192	739
The Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong	**27,183**	27,192	739

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$26,480,000 (2010: HK$26,471,000) which are located in the PRC. The Group is in the process of obtaining the land use right certificates.

20. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 April 2009, 31 March 2010 and 2011	1,624
DEPRECIATION AND IMPAIRMENT	
At 1 April 2009	534
Provided for the year	32
At 31 March 2010	566
Provided for the year	33
At 31 March 2011	**599**
CARRYING VALUES	
At 31 March 2011	**1,025**
At 31 March 2010	1,058

In the opinion of the directors, the estimated fair value of investment property as at 31 March 2011 is approximately HK$1,058,000 which is estimated by reference to the recent transaction price of similar properties.

The fair value of the Group's investment property at 31 March 2010 was HK$1,058,000. The fair value as at 31 March 2010 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.

21. GOODWILL

	2011 HK$'000	2010 HK$'000
COST		
At 1 April	**421,732**	10,523
Exchange adjustments	**–**	51
Arising on acquisition of subsidiaries (note 36)	**–**	411,158
At 31 March	**421,732**	421,732
IMPAIRMENT		
At 1 April	**421,732**	–
Impairment loss recognised in the year	**–**	421,732
At 31 March	**421,732**	421,732
CARRYING VALUES		
At 31 March	**–**	–

During the year ended 31 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 (as defined in note 23) respectively. Details of the impairment loss recognised were set out in note 23.

22. MINING RIGHTS

	HK$'000
COST	
At 1 April 2009	–
Acquisition of subsidiaries (note 36)	1,903,116
At 31 March 2010	1,903,116
Exchange realignment	85,364
At 31 March 2011	**1,988,480**
AMORTISATION	
At 1 April 2009, 31 March 2010 and 2011	–
CARRYING VALUES	
At 31 March 2011	**1,988,480**
At 31 March 2010	1,903,116

22. MINING RIGHTS (continued)

The mining rights will be expired in December 2012 and 2013. 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.

Mining rights are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base. Since the Acquisition (defined in note 29), the Group's mines have temporary stopped production as one of the mines requires further technical and quality improvement works to modify the mining structures to meet the safety standard in accordance with the new regulations imposed by the PRC authority in 2009 and the other mine requires further development works to bring the mine into a production status. No amortisation on mining rights was charged to profit or loss as there was no production for both years.

23. 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 principally engaged in coal mining business acquired during the year ended 31 March 2010 ("Unit B").

	2011 **HK$**	2010 HK$
Unit A:		
Goodwill	**10,574**	10,574
Less: Impairment recognised in respect of goodwill	**(10,574)**	(10,574)
	–	–
Unit B:		
Mining rights	**1,989,027**	1,903,116
Goodwill	**411,158**	411,158
Less: Impairment recognised in respect of goodwill	**(411,158)**	(411,158)
	1,989,027	1,903,116

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

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

Unit A

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 was recognised in the year ended 31 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 17.58% (2010: 19.27%) and cash flow projections prepared from financial forecasts approved by the directors of the Group covering a period of 24 years (2010: 24 years) until the mine reserve run out. The directors consider that this assumption is applicable as after obtaining opinion from its legal counsel, the Group will be entitled to renew its mining rights upon the expiration at minimal cost. 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 estimation provided by professional engineer and the directors' expectations for the market development.

The directors expected the operation scale of Unit B after the Acquisitions (defined in note 29) would be further expanded by incorporating the resources of the Group, including the construction of coal washing plant. However, such expectations were 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. Since the carrying amount of the Unit B was significantly above its recoverable amount, the Group fully impaired the amount of goodwill of HK$411,158,000 during the year ended 31 March 2010.

As at 31 March 2011, although the Group's mines had no production for both years, based on the Group's mines construction schedule, after the completion of relevant safety improvement work and construction of the mining structures, one of the mine could commence production in the coming year and the other one will commence production in 2013. In addition, as the recoverable amount of the Unit B exceeds its carrying amount, therefore, no impairment loss is considered necessary.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2011 **HK$'000**	2010 HK$'000
Available-for-sale investments include:		
Equity securities listed in Hong Kong, at fair value	**–**	1,253
Equity securities listed outside Hong Kong, at fair value	**113**	114
Debentures listed outside Hong Kong with fixed interest of 10.5% and maturity date on 14 January 2016, at fair value	**3,583**	–
Unlisted equity securities, at cost	**6,655**	13,480
Club debentures, at fair value	**2,710**	2,710
Unlisted debt securities, at fair value	**–**	3,900
	13,061	21,457

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

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 31 March 2011, the Group disposed of certain unlisted equity securities with an aggregate carrying value of approximately HK$6,825,000 (2010: HK$2,225,000) to an independent third party at cost, which had been carried at cost less impairment before the disposal.

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 1 January 2012. In the opinion of the directors, the amount of the embedded conversion option is insignificant.

24. AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the year ended 31 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, impairment of HK$780,000 was recognised during the year ended 31 March 2010. The Group disposed of the investment with an aggregate carrying value of approximately HK$3,900,000 during the year.

As at 31 March 2011, the available-for-sale investments of approximately HK$4,684,000 are denominated in currencies other than the functional currency of the respective group entities.

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 1 April 2009	–	(185)	–	390	205
Arising on acquisition of subsidiaries (note 36)	(471,876)	–	(3,368)	–	(475,244)
Credit to profit or loss (note 12)	–	–	43	–	43
At 31 March 2010	(471,876)	(185)	(3,325)	390	(474,996)
Exchange realignment	(21,359)	–	(143)	–	(21,502)
Credit to profit or loss (note 12)	–	–	338	–	338
At 31 March 2011	**(493,235)**	**(185)**	**(3,130)**	**390**	**(496,160)**

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

25. DEFERRED TAXATION (continued)

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

At 31 March 2011, the Group had unused estimated tax losses of HK$37,885,000 (2010: HK$18,473,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$2,364,000 (2010: HK$2,364,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$35,521,000 (2010: HK$16,109,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. INVENTORIES

	2011	2010
	HK$'000	HK$'000
Raw materials	**11,491**	10,989
Work in progress	**6,601**	5,508
Finished goods	**8,689**	4,692
	26,781	21,189

27. OTHER CURRENT FINANCIAL ASSETS

Trade and bills receivables

	2011	2010
	HK$'000	HK$'000
Trade receivables	**20,141**	8,915
Bills receivable	**347**	399
	20,488	9,314

Included in the Group's trade and bills receivables are receivables of approximately HK$5,889,000 (2010: HK$5,890,000) denominated in US$ which is the currency other than the functional currency of the respective group entities.

27. OTHER CURRENT FINANCIAL ASSETS (continued)

Trade and bills receivables (continued)

The Group allows an average credit period of 30 to 60 days (2010: 30 to 60 days) to its customers. The aged analysis of trade and bills receivables presented based on the invoice date is stated as follows:

	2011 **HK$'000**	2010 HK$'000
0 to 30 days	**13,823**	7,349
31 to 60 days	**3,337**	1,816
61 to 90 days	**1,160**	149
91 to 180 days	**2,168**	–
	20,488	9,314

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$6,661,000 (2010: HK$1,838,000) as at 31 March 2011, 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 67 days (2010: 46 days) in the year of 2011.

Ageing of trade receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
Overdue by 1 to 30 days	**3,494**	1,795
Overdue by 31 to 60 days	**1,874**	43
Overdue by 61 to 180 days	**1,293**	–
	6,661	1,838

27. OTHER CURRENT FINANCIAL ASSETS (continued)

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$467,000 (2010: HK$5,384,000) denominated in currencies other than the functional currency of the respective group entities.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at approximate 0.20% (2010: 0.17%) per annum.

The bank balances and cash of approximately HK$39,020,000 (2010: HK$191,851,000) are denominated in currencies other than the functional currency of the respective group entities.

28. INVESTMENTS HELD FOR TRADING

	2011 **HK$'000**	2010 HK$'000
Investments held for trading include:		
Equity securities listed in Hong Kong, at fair value	**181**	300
Equity securities listed outside Hong Kong, at fair value	**3**	3
	184	303

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

As at 31 March 2010 and 2011, the investments held for trading of approximately HK$3,000 are denominated in currencies other than the functional currency of the respective group entities.

29. RESTRICTED BANK DEPOSITS

On 25 January 2010, Win Team Investments Limited ("Win Team"), a wholly owned subsidiary of the Company acquired the entire issued share capital of Merrymaking Investments Limited and Pleasing Results Limited (the "Acquisition") from Real Power Holdings Limited and TRXY Development (HK) Limited (collectively referred as "the Vendors").

Before the completion of the Acquisition, the Company, Win Team and the Vendors entered into a supplemental agreement on 22 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 maximum total losses and liabilities in respect to the Indemnity Obligations was amounted to US$16.81 million (equivalent to approximately HK$131.12 million) as at the date of Supplemental Agreement. In the opinion of the directors, the total Indemnity Obligations amount was estimated to be HK$123.81 million as at the date of the Acquisition.

Pursuant to the Supplemental Agreement, a bank account was opened, which was 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 was 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 31 March 2010, HK$54.59 million was retained in the restricted bank deposits for the future settlement of the remaining balance of the Indemnity Obligations. During the year ended 31 March 2011, the restricted bank deposits were fully utilised to settle 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:

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**7,385**	2,963
31 to 60 days	**3,464**	1,133
61 to 90 days	**1,428**	652
91 to 180 days	**2,534**	1,153
	14,811	5,901

As at 31 March 2010 and 2011, included in the Group's trade payables HK$329,000 are 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 31 March 2010, included in other payables, deposits received and accruals, HK$65.5 million represented the unsettled portion of the Indemnity Obligations, which were fully settled during the year ended 31 March 2011.

As at 31 March 2010 and 2011, included in other payables, deposits received and accruals, HK$327,000 are denominated in currencies other than the functional currency of the respective group entities.

31. BANK BORROWING

	2011 HK$'000	2010 HK$'000
Bank borrowing – secured	–	9,080

Bank borrowing was denominated in Renminbi, carrying interest at 80% above the benchmark interest rate announced by the People's Bank of China and was fully repaid on 29 October 2010. The effective interest rates ranged from 7.965% to 9.5% per annum. The loan was 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 31 March 2010, carrying value of land charged in favour of the bank was 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$3,167,000 (2010: HK$3,696,000) represents contribution paid or payable to the schemes by the Group at rates specified in the rules of the schemes.

32. RETIREMENT BENEFIT SCHEMES (continued)

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 24 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. At the issuance date, the principal amount of the Convertible Notes of HK$11,446,000 was excluded from the purchase consideration in determining the goodwill for the Acquisition. During the year ended 31 March 2011, Indemnity Obligation of HK$11,446,000 was settled through cancellation of Convertible Notes with principle amount of HK$11,446,000.

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.

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

There were restrictions imposed on the Vendors (as defined in note 29) under the terms and conditions of the convertible notes, whereby the Vendors shall not, and shall procure that its nominee shall not, without the prior written consent of the Company, transfer or otherwise dispose of any of the convertible notes or shares to be issued upon conversion of the convertible notes (i) as to an amount representing two-third of the principal amount of the convertible notes within the first twelvemonth period following the date of issue of the convertible notes, being 25 January 2010; and (ii) as to an amount representing one-third of the principal amount of the convertible notes within the second twelve-month period following the date of issue of the convertible notes, being 25 January 2010.

On 25 June 2010, the Company granted a waiver of transfer restrictions on the Convertible Notes to the Vendors. As a result of the waiver, the fair value of the embedded conversion option increased by HK$28 million. However, other than the waiver of the transfer restriction, other conversion restrictions on the convertible notes are still applicable to the Vendors.

On 9th and 11 February 2010, 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. On 13 April 2010, 16 November 2010, 1 December 2010 and 31 January 2011, principal amounts of approximately HK$116,266,000, HK$23,677,000, HK$22,830,000 and HK$155,022,000 of the Convertible Notes were converted into 132,121,021, 26,905,416, 25,942,993 and 176,161,364 shares of the Company respectively at the conversion price of HK$0.88 per share. As at 31 March 2011, the outstanding principal amount of the Convertible Notes was HK$380,056,000 (2010: HK$709,297,000).

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.

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

(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 HK$'000	**Embedded conversion option** HK$'000	**Total** HK$'000
At 1 April 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 11)	6,765	–	6,765
Loss arising from change in fair value recognised in profit or loss	–	30,974	30,974
At 31 March 2010	369,294	392,765	762,059
Conversion during the year	(181,913)	(205,794)	(387,707)
Imputed interest charged (note 11)	30,454	–	30,454
Gain arising from change in fair value recognised in profit or loss	–	(6,089)	(6,089)
At 31 March 2011	**217,835**	**180,882**	**398,717**

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 31 March 2010 and 2011 were as follows:

	Completion Date	**9 February 2010**	**11 February 2010**	**31 March 2010**	**13 April 2010**	**16 November 2010**	**1 December 2010**	**31 January 2011**	**31 March 2011**
Share price	HK$1.35	HK$1.03	HK$1.03	HK$1.21	HK$1.18	HK$0.89	HK$0.84	HK$0.84	HK$0.67
Conversion price	HK$0.88	HK$0.88	HK$0.88	HK$0.88	HK$0.88	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	7.79 years	7.20 years	7.16 years	6.99 years	6.83 years
Risk free rate (note b)	2.550%	2.556%	2.638%	2.544%	2.578%	1.833%	1.924%	2.364%	2.324%
Expected volatility (note c)	75.972%	75.813%	75.830%	75.318%	75.192%	72.73%	72.615%	71.855%	71.609%

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.

33. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

As at 31st March 2011, all of the liability component amounted to HK$217,835,000 (2010: HK$369,294,000) and embedded derivatives amounted to HK$180,882,000 (2010: HK$392,765,000) are denominated in currency other than the function currency of the respective group entity.

34. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 1 April 2010 and 31 March 2011 ordinary shares of HK$0.05 each	5,000,000,000	250,000
Issued and fully paid:		
At 31 March 2009	411,492,726	20,574
Exercise of share options (note a)	9,232,535	462
Placing of shares (note b)	554,216,000	27,710
Issue of shares for acquisition of subsidiaries (note c)	323,696,505	16,185
Shares issued upon conversion of Convertible Notes (note d)	387,554,994	19,378
At 31 March 2010	1,686,192,760	84,309
Exercise of share options (note a)	400,000	20
Placing of shares (note e)	363,740,000	18,187
Shares issued upon conversion of Convertible Notes (note d)	361,130,793	18,057
At 31 March 2011	**2,411,463,553**	**120,573**

Details of the changes in the Company's share capital for the year ended 31 March 2010 and 2011 are as follows:

(a) During the year ended 31 March 2011, 400,000 (2010: 9,232,535) new ordinary shares of the Company of HK$0.05 each were issued upon the exercise of share options. Details of options outstanding and movements during the year are set out in note 39.

(b) On 25 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.

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

(d) During the year ended 31 March 2011, total 361,130,793 (2010: 387,554,994) new ordinary shares of the Company of HK$0.05 (2010: HK$0.05) each were issued upon the partial conversion of the Convertible Notes (see note 33) with aggregated principal amount of HK$317,795,000 (2010: HK$341,048,000) at the conversion price of HK$0.88 (2010: HK$0.88) per share.

(e) On 29 October 2010, private placements to independent private investors of 363,740,000 new shares of HK$0.05 each in the Company were completed, at placing price of HK$0.9 per share.

34. SHARE CAPITAL (continued)

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

35. RESERVES

Share premium

	2011 HK$'000	2010 HK$'000
At the beginning of year	**1,337,384**	5,071
Issue of new shares due to exercise of share options	**295**	2,332
Issue of new shares upon placing	**309,179**	670,602
Issue of new shares for acquisition of subsidiaries	**–**	387,634
Issue of new shares upon conversion of convertible notes	**369,650**	297,836
Transaction costs attributable to issue of new shares upon placing	**(8,572)**	(28,560)
Transfer upon exercise of share options	**151**	2,469
At the end of year	**2,008,087**	1,337,384

Statutory surplus reserve

	2011 HK$'000	2010 HK$'000
At the beginning of year	**3,539**	2,281
Transfer from retained profits	**–**	1,258
At the end of year	**3,539**	3,539

Share option reserve

	2011 HK$'000	2010 HK$'000
At the beginning of year	**470**	2,664
Transfer to share premium upon exercise of share options	**(151)**	(2,469)
Transfer upon forfeiture of share options	**(157)**	–
Recognition of equity-settled share-based payments	**16,423**	275
At the end of year	**16,585**	470

35. RESERVES (continued)

Asset revaluation reserve

	2011 HK$'000	2010 HK$'000
At the beginning of year	**2,639**	1,916
Fair value changes on available-for sale-investments	**(407)**	853
Reclassified adjustment to profit or loss on disposal	**(832)**	(130)
At the end of year	**1,400**	2,639

Special reserve

	2011 HK$'000	2010 HK$'000
At the beginning and the end of year	**(5,754)**	(5,754)

Translation reserve

	2011 HK$'000	2010 HK$'000
At the beginning of year	**9,501**	8,456
Exchange differences arising on translation of foreign operations	**76,199**	1,045
At the end of year	**85,700**	9,501

36. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2010

On 25 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 exploration 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 had 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 were 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 31 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.

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 exploration 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 31 March 2010, details are set out in notes 21 and 23 respectively.

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.

If the Acquisitions had been completed on 1 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 1 April 2010, nor is it intended to be a projection of future results.

37. PLEDGE OF ASSETS

At 31 March 2011, the Group has pledged its leasehold land and buildings with carrying values of HK$3,016,000 (2010: HK$3,118,000) to secure the unutilised general banking facilities granted to the Group. At 31 March 2010, the Group also pledged its leasehold land and buildings with carrying values of HK$12,600,000 to secure the outstanding bank borrowing.

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:

	2011 **HK$'000**	2010 HK$'000
Within one year	**5,486**	5,302
In the second to fifth year inclusive	**6,025**	10,969
	11,511	16,271

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.

(b) Capital commitments in respect of addition of property, plant and equipment

	2011 **HK$'000**	2010 HK$'000
Capital expenditure in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**130,328**	108,347
Capital expenditure in respect of addition of property, plant and equipment authorised but not contracted for	**167,330**	407,783

38. COMMITMENTS (continued)

(c) Capital commitments in respect of acquisition of subsidiaries

	2011 **HK$'000**	2010 HK$'000
Capital expenditure in respect of acquisition of subsidiaries	**1,300,000**	–

On 28 January 2011, the Company, Champ Universe Limited, a wholly owned subsidiary of the Company and Tai Rong Xin Ye International Power Generation Inc. ("Tai Rong"), a company wholly owned by Ms. Li Shao Yu, who is a substantial shareholder and a connected person of the Company have entered into a sale and purchase agreement, pursuant to which, Champ Universe Limited agreed to acquire the entire issued share capital of Venture Path Limited ("Venture Path") from Tai Rong at an aggregate consideration of HK$1,550,000,000, to be satisfied comprising (i) HK$250,000,000 cash consideration; (ii) HK$725,000,000 by issue of the convertible shares; and (iii) HK$575,000,000 by the issue of the convertible bonds. Venture Path and its subsidiaries (the "Venture Path Group") are principally engaged in exploration and mining of fine coal and lump coal in Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. This transaction is classified as major and connected transaction in accordance with the Listing Rules and the circular related to this transaction has been issued by the Company on 25 May 2011.

As at 31 March 2011, the Company has paid HK$250,000,000 to Tai Rong as deposits for acquisition of subsidiaries.

The completion of this acquisition is subject to fulfilment of conditions precedent including, amongst others, the Group being satisfied in its absolute discretion with the results of due diligence review and the obtaining of the approval of its shareholders, and therefore, the acquisition may or may not proceed. The Group has obtained shareholders' approval at the extraordinary meeting held on 13 June, 2011 and the transaction has been completed on 15 June, 2011.

The Company is in the process of ascertaining the fair value of the net assets of the subsidiaries acquired that include monetary and non-monetary assets and liabilities and the fair value of the convertible shares and convertible bonds issued as part of the consideration for this acquisition, but is not in the position to disclose the finalised consolidated financial information of the Venture Path Group completed on 15 June, 2011 as at the date of these consolidated financial statements were authorised for issue.

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 16 May 2006. As at 1 April 2010, all the share options granted under Pre-Listing Scheme were exercised or lapsed. The terms and conditions of the Pre-Listing Scheme and Best 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;

(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 (6 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.

39. SHARE OPTION SCHEMES (continued)

(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;

(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 1 April 2009	Exercised during the year (Note a)	Outstanding at 31 March 2010	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2011 (Note b)
Directors											
Ma Lishan (note c)	Post-listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	–	–	6,000,000	–	–	6,000,000
	Post-listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	–	–	6,000,000	–	–	6,000,000
	Post-listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	–	–	8,000,000	–	–	8,000,000
Fung Ka Pun	Post-listing Scheme	8.6.2007	8.6.2008 to 7.6.2011	0.860	180,000	(180,000)	–	–	–	–	–
	Post-listing Scheme	8.6.2007	8.6.2009 to 7.6.2012	0.860	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
	Post-listing Scheme	1.4.2010	1.4.2011 to 31.3.2014	1.202	–	–	–	6,000,000	–	–	6,000,000
	Post-listing Scheme	1.4.2010	1.4.2012 to 31.3.2015	1.202	–	–	–	6,000,000	–	–	6,000,000
	Post-listing Scheme	1.4.2010	1.4.2013 to 31.3.2016	1.202	–	–	–	8,000,000	–	–	8,000,000
Ng Cheuk Fan, Keith	Post-listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	–	–	1,500,000	–	–	1,500,000
	Post-listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	–	–	1,500,000	–	–	1,500,000
	Post-listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	–	–	2,000,000	–	–	2,000,000
Mak Yiu Tong (note c)	Post-listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	–	–	600,000	–	–	600,000
	Post-listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	–	–	600,000	–	–	600,000
	Post-listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	–	–	800,000	–	–	800,000
Fung Wing Ki, Vicky	Pre-listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,333,304	(1,333,304)	–	–	–	–	–
	Post-listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	–	–	600,000	–	–	600,000
	Post-listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	–	–	600,000	–	–	600,000
	Post-listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	–	–	800,000	–	–	800,000
Tam Hok Lam, Tommy	Post-listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	(120,000)	–	–	–	–	–
	Post-listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	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)	–
Choi Hon Hing (note d)	Pre-listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,777,725	(1,777,725))	–	–	–	–	–
Fung Wing Yee, Wynne (note d)	Pre-listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,333,304	(1,333,304)	–	–	–	–	–
Hui Ka Wah, Ronnie (note e)	Post-listing Scheme	8.6.2007	9.6.2008 to 8.6.2011	0.860	120,000	(120,000)	–	–	–	–	–
	Post-listing Scheme	8.6.2007	9.6.2009 to 8.6.2012	0.860	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 (note e)	Post-listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	(120,000)	–	–	–	–	
	Post-listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	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)	–	–
Other employees	Pre-listing Scheme	16.5.2006	6.6.2008 to 5.6.2011	0.225	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)	–	–	–	–	–
	Post-listing Scheme	8.6.2007	8.6.2008 to 5.7.2011	0.860	105,000	–	105,000	–	–	(75,000)	30,000
	Post-listing Scheme	8.6.2007	8.6.2009 to 5.7.2012	0.860	105,000	–	105,000	–	–	(75,000)	30,000
	Post-listing Scheme	8.6.2007	8.6.2010 to 5.7.2013	0.860	140,000	–	140,000	–	–	–	140,000
	Post-listing Scheme	18.3.2008	18.3.2009 to 17.3.2012	0.536	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)	–	–
	Post-listing Scheme	27.8.2010	1.9.2011 to 26.8.2014	0.800	–	–	–	2,400,000	(450,000)	–	1,950,000
	Post-listing Scheme	27.8.2010	1.9.2012 to 26.8.2015	0.800	–	–	–	2,400,000	(450,000)	–	1,950,000
	Post-listing Scheme	27.8.2010	1.9.2013 to 26.8.2016	0.800	–	–	–	3,200,000	(600,000)	–	2,600,000
	Post-listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	–	–	10,770,000	(600,000)	–	10,170,000
	Post-listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	–	–	10,770,000	(600,000)	–	10,170,000
	Post-listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	–	–	14,360,000	(800,000)	–	13,560,000
					10,512,535	(9,232,535)	1,280,000	92,900,000	(3,940,000)	(400,000)	89,840,000
Weighted average exercise price					0.371	0.302	0.807	0.887	0.797	0.787	0.890
Exercisable at the end of the year							300,000				440,000

39. SHARE OPTION SCHEMES (continued)

Notes:

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

(b) The weighted average closing price of the Company's shares at the dates of exercise was HK$0.941 per share.

(c) Mr. Mak Yiu Tong and Mr. Ma Lishan were appointed as directors of the Company on 7 May 2010 and 1 September 2010 respectively.

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

(e) Dr. Hui Ka Wah, Ronnie and Mr. Leung Man Chun, Paul were not offering themselves for re-election at the general annual meeting held on 27 September 2010.

On 1 April 2010, 27 August 2010 and 27 September 2010, the Company granted 20,000,000, 8,000,000 and 64,900,000 options at exercise price of HK$1.202, HK$0.8 and HK$0.8 per share respectively to directors and employees under the Post-Listing Scheme. The fair value of the share options granted determined at the dates of grant using Trinomial Option Pricing Model was approximately HK$13,480,000, HK$3,562,000 and HK$28,523,000 respectively. The fair value of the share option granted will be expensed on straight-line basis over the vesting period from 1 to 3 years.

In determining the fair value of the share options granted during the year, Trinomial Option Pricing Model has been used. The input into the model were as follows:

	Notes	**1 April 2010**	**27 August 2010**	**27 September 2010**
Share price at grant date		HK$1.16	HK$0.80	HK$0.79
Exercise price		HK$1.202	HK$0.80	HK$0.80
Expected life of options	a	4 to 6 years	4 to 6 years	4 to 6 years
Expected volatility	b	76.173% to 81.587%	75.069% to 80.272%	74.550% to 79.733%
Risk free rate	c	1.586% to 2.200%	0.787% to 1.290%	0.961% to 1.453%

39. SHARE OPTION SCHEMES (continued)

Notes:

(a) The expected life of options ranges from 4 to 6 years from the date of grant.

(b) Expected volatility 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.

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

The Trinomial 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$16,423,000 (2010: HK$275,000) 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:

	2011 **HK$'000**	2010 HK$'000
Services fee paid to a related company (note)	**33**	11

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:

	2011 **HK$'000**	2010 HK$'000
Salaries and other short-term benefits	**10,085**	4,900
Post-employment benefits	**72**	240
Share-based payments	**14,326**	210
	24,483	5,350

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

Included in the remuneration of the directors and other members of key management, during the year ended 31 March, 2011, the remuneration of a substantial shareholder who provided service to the Group was approximately HK$3,569,000.

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011, part of the issued convertible notes with aggregate principal amounts of approximately HK$317,795,000 (2010: HK$341,048,000) have been converted into 361,130,794 (2010: 387,554,994) ordinary shares of the Company.

During the year ended 31 March 2011, Indemnity Obligation amounted to HK$54.59 million has been settled by the restricted bank deposits.

During the year ended 31 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 aggregates fair value at Completion Date amounted to HK$1,041,534,000 were issued.

42. EVENTS AFTER THE REPORTING PERIOD

(i) On 8 April 2011, the Company has granted 7,200,000 share option to five eligible employees to subscribe for a total of 7,200,000 ordinary shares of HK$0.05 each of the Company at exercise price of HK$0.74 per share according to 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$2,965,000. 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.

(ii) On 27 April 2011, the Company and Qinghai Muli Coal Development Co., Ltd ("Muli Coal"), which has the authorisation by Qinghai Provincial Government and 青海省國資委員會 (Qinghai SASSC) and being the sole developing entity, entered into a strategic cooperation framework agreement (the "Strategic Cooperation Framework Agreement"), pursuant to which the Company and Muli Coal agreed to form a strategic alliance to jointly consolidate the exploitation work of 青海省木里煤田 (Qinghai Muli Coalfield) and actively participate in the investment of deep processing projects of coal chemicals.

The cooperation referred in the Strategic Cooperation Framework Agreement is still in its preliminary stage. Further announcement will be made by the Company in the event where negotiation on the detailed terms of cooperation.

(iii) On 18 May, 2011, the Company and China Jingu International Trust Co., Limited ("Jingu Trust") entered into a strategic cooperation agreement, pursuant to which Jingu Trust will provide financial services such as trust financing, industry investment (merger integration) fund and financial advisory to the Company.

In addition, Jingu Trust will cooperate with the Company to establish a mining energy fund for the acquisition and integration of coal resources projects and construction work for production capacities improvement. The financing amount in the initial stage will be approximately RMB1 billion to RMB2 billion. The financial services arrangement is still in preliminary stage. Further announcement will be made by the Company in the event where negotiation on the detailed terms of cooperation.

42. EVENTS AFTER THE REPORTING PERIOD (continued)

(iv) On 10 June 2011, 436,488,000 warrants of the Company have been successfully placed to independent places at issue price of HK$0.015 per warrant at exercise price of HK$0.90 per share. The proceeds from the placing of the warrants was approximately HK$6,547,000 and the maximum proceeds from the exercise of subscription rights attaching to the warrants will be approximately HK$392,839,000. The proceeds are intended to be used as general working capital and for capital expenditure, and future possible acquisition. At the date of placing, the closing market price of the Company's share was HK$0.90 per share. The warrants issued by the Company has been classified as equity instrument, which is stated at the proceeds received, net of direct issue cost.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2011 and 2010 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 2011 Directly	2011 Indirectly	2010 Directly	2010 Indirectly	Principal activities
Winbox (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	US$460	**100%**	**-**	100%	–	Investment holding
Win Team Investments Limited	BVI	Ordinary	US$1	**100%**	**-**	100%	–	Investment holding
Champ Universe Limited	BVI (Note iii)	Ordinary	US$1	**100%**	**-**	–	–	Investment holding
Dardel	France	Ordinary	EUR470,000	**-**	**100%**	–	100%	Sale of quality plastic and paper boxes for luxury consumer goods
Donguang Ever Green Plastic Manufacturing Company Limited	The PRC (Note ii)	Contributed capital	HK$7,800,000	**-**	**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)
Fairich Investment Limited	Hong Kong	Ordinary	HK$2	**-**	**100%**	–	100%	Investment holding
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

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 2011 Directly	2011 Indirectly	2010 Directly	2010 Indirectly	Principal activities
Merrymaking Investment Limited	BVI	Ordinary	US$50,000	-	100%	–	100%	Investment holding
Tianyu Coal Company Limited	The PRC (Note ii)	Contributed capital	RMB43,000,000	-	100%	–	100%	Development of underground coking coal mine
Tianyu Gongmao Company Limited	The PRC (Note ii)	Contributed capital	RMB46,000,000	-	100%	–	100%	Exploration of coal business, coal mining and development of underground coking coal mine
Pleasing Results Limited	BVI	Ordinary	US$50,000	-	100%	–	100%	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%	–	100%	Investment holding

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

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) The subsidiary was set up during the year for acquiring Venture Path Limited. For details, please refer to note 38(c).

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 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Note)				
Revenue	156,508	176,803	166,505	97,029	**122,099**
Profit (loss) for the year attributable to owners of the Company	28,051	22,180	(22,871)	(469,409)	**(96,646)**

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	217,629	251,724	198,029	2,502,224	**2,744,900**
Total liabilities	(29,625)	(44,313)	(20,932)	(1,403,942)	**(945,065)**
	188,004	207,411	177,097	1,098,282	**1,799,835**
Equity attributable to owners of the Company	188,004	207,411	177,097	1,098,282	**1,799,835**

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