亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

Stock Code: 835

ANNUAL REPORT
2010/11

Contents

Corporate Information

DIRECTORS

Executive directors

Sun David Lee
Jin Langchuan
Kwok Wing Leung, Andy

Non-executive director

Yeung Ting Lap, Derek Emory

Independent non-executive directors

Chiu Kam Hing, Kathy
Ho Man Kin, Tony
Li Kar Fai, Peter

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE
PRINCIPAL PLACE OF BUSINESS

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8 Cotton Tree Drive, Central
Hong Kong

COMPANY SECRETARY

Chow Kim Hang

AUDITOR

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

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

LEGAL ADVISERS

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

WEBSITE ADDRESS

www.asiacoallimited.com

SHARE LISTING

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

BUSINESS REVIEW

During the year, the Group continued to engage in coal mining business and distribution of health and beauty products and services and has also expanded into coal transportation business.

In the coal mining segment, the Group continues to hold the mining right to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The JORC compliant Resources Report prepared by an independent technical adviser shows estimated resources for the Saikhan Ovoo coal deposit in excess of 190 million tonnes as follows:

JORC Class	Volumn, m^3	Tonnes
Measured	6,565,000	11,467,000
Indicated	64,852,000	112,831,000
Inferred	39,057,000	69,494,000
Total	110,474,000	193,792,000

During the year, the Group has engaged 中煤國際工程集團武漢設計研究院 (Wuhan Design & Research Institute of Sino-Coal International Engineering Group) (the "Design Institute") for the feasibility and coal mine and washing plant design in relation to the Saikhan Ovoo coal deposit. The design calls for an estimated production capacity of 2.5 million tonnes of raw coal per annum. The Design Institute is still in the process of preparing the feasibility and design.

During the year under review, the Group has also expanded into the coal transportation business and provides trucking transportation in Mongolia and from Mongolia to China. The Group has encountered various problems such as border crossing control and truck driver management which has limited the transportation volume and is now in the process of correcting the problems.

In the health and beauty segment, four additional new Dermagram shops or beauty centers have been opened during the year to provide better services to the customers. With more new shops, the Group has ceased to distribute Dermagram products through the major distributor so that the Group has more flexibility and greater control over the pricing and marketing strategies of Dermagram. The Group has also ceased to distribute LaVie products through the major distributor from November 2010 as the health and beauty segment now focuses its efforts on the Dermagram brand.

Management Discussion and Analysis

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2011, the Group generated a consolidated turnover of approximately HK$8.5 million, representing an increase of HK$1.7 million or 24.2% as compared to that of last financial year. The increase in turnover was mainly due to the higher sales income generated by the new Dermagram shops and beauty centers and the introduction of the logistic services business.

The Group recorded a gross profit of approximately HK$1.9 million, representing a HK$0.4 million or 17.7% decrease as compared to that of last financial year. The gross profit margin also decreased from 32.8% as recorded in previous year to 21.7% for the year under review. The lower gross profit and gross profit margin were mainly attributable to the gross loss recorded by the logistic services business.

Loss attributable to owners of the Company increased to approximately HK$207 million from HK$76 million as recorded in the previous financial year. The increase in loss was mainly due to the increase in selling and distribution expenses by approximately HK$15.1 million, impairment loss on prepayments of approximately HK$15.7 million and loss incurred on issue of the Termination Convertible Bonds of approximately HK$129 million in relation to the termination of the PF Agreement, as defined in the Material Acquisitions section below.

Segmental Analysis

Coal Mining

Saikhan Ovoo Coal Deposit

Approximately HK$4 million additional expenditures for the exploration and review works of the Saikhan Ovoo coal deposit performed by technical adviser and consultants were incurred and capitalized as exploration and evaluation assets during the year.

Termination of PF Acquisition

As a result of the termination of PF Agreement as described in the Material Acquisitions section below, the prepayments which represented payments made to technical advisers for conducting technical assessment on the Erdenetsogt coal deposit (the "Sinotum Resources Technical Assessment") amounting to HK$15,653,000 were fully impaired during the year.

Logistic Services

During the year under review, coal transportation service income amounted to approximately HK$0.7 million and gross loss of the segment amounted to approximately HK$0.7 million. The new logistic services business was in its initial setup stage. The service income was unsteady due to reasons including unstable border crossing capacity and fuel shortage in Mongolia. The fleet was not working at its full capacity while the operating costs were partly fixed in nature. The logistic services business therefore incurred segment loss of approximately HK$1.2 million for the year.

FINANCIAL REVIEW *(Continued)*

Segmental Analysis (Continued)

Health and Beauty Products and Services

During the year under review, sales of health and beauty products and provision of beauty services amounted to approximately HK$7.8 million, representing an increase of HK$0.9 million or 13.6% as compared with that of last financial year. Gross profit of the segment also increased by HK$0.3 million or 12.2% to approximately HK$2.5 million this year. Opening more Dermagram shops and beauty centers has contributed to the increase in sales and gross profit. However, the gross profit margin of the segment slightly slid from 32.8% as recorded in previous year to 32.4% this year mainly due to the lower profit margin contributed by the new OEM products introduced during the year.

The segmental loss for the year increased to approximately HK$25.3 million from HK$11.0 million as recorded in the previous financial year owing to the significant increase in selling and distribution expenses as more Dermagram shops and beauty centers have been opened and greater advertising and marketing spending was incurred for Dermagram to enhance brand recognition.

Financial Resources, Liquidity and Capital Structure

As at 31st March 2011, the Group held cash and bank balances amounting to approximately HK$7,666,000 (2010: HK$28,556,000) while the total borrowings of the Group were approximately HK$246,165,000 (2010: HK$138,203,000). As at 31st March 2011, the borrowings represented the liability component of the convertible bond issued in July 2008 (the "GF Convertible Bonds") and the Termination Convertible Bonds issued in February 2011. The GF Convertible Bonds and the Termination Convertible Bonds with respective principal amounts of HK$218,221,675 and HK$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date. As at 31st March 2011, the borrowings also included bank overdrafts and amount due to a related party and a non-controlling shareholder of a subsidiary. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 154.0% (2010: 37.7%).

On 16th June 2011, GF Convertible Bonds with principal amount of HK$52,000,000 was converted into 208,000,000 ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.25 per share.

In view of the decrease in cash and bank balances and the increase in gearing ratio of the Group, the Group had obtained the confirmations from the convertible bonds holders that they agreed not to redeem the convertible bonds in the next twelve months from the date of approval of these consolidated financial statements. In addition, the Group also obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$19.6 million in the next twelve months from the date of approval of these consolidated financial statements. Additionally, the directors have a plan to raise additional funds to improve the cash position of the Group including negotiating with an independent third party to issue a convertible bond amounting to approximately HK$30 million in the next twelve months from the date of approval of these consolidated financial statements. Provided that the fundraising plan and the cost-saving measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

FINANCIAL REVIEW *(Continued)*

Charges on Assets

As at 31st March 2011, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,720,000 and HK$113,000 were pledged to secure the Group's banking facilities and finance lease obligations.

Foreign Exchange Risk Management

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

Material Acquisitions

1. As disclosed in the Company's annual report 2009/10, on 25th January 2008, the Company entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mining right to the Saikhan Ovoo coal deposit. As at 31st March 2011, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves in the Saikhan Ovoo coal deposit held by SMI by reference to the technical assessments (the "SMI Technical Assessment") prepared by a technical adviser. The consideration for the GF acquisition can be up to maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. In light of the positive results of the resources report as set out in the Company's announcements dated 9th August 2010 and 10th December 2010, the Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012.

FINANCIAL REVIEW *(Continued)*

Material Acquisitions (Continued)

2. On 25th January 2008, the Group entered into an agreement (the "PF Agreement") to acquire Power Field Holdings Limited ("PF") which indirectly holds the mineral exploration rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia.

   As set out in the circular of the Company dated 28th January 2011, due to the change of circumstances and business environment, the Company entered into a deed of settlement (the "Deed of Settlement") with the vendor and the guarantor to terminate the PF Agreement on 1st November 2010.

   The settlement consideration payable by the Company under the Deed of Settlement included (i) the issue of the five-year zero coupon convertible bonds in the principal amount of HK$110,000,000 at an initial conversion price of HK$0.20 per share ("Termination Convertible Bonds") by the Company to the vendor; and (ii) the payment in cash to reimburse of the vendor and the guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the Deed of Settlement, the Termination Convertible Bonds and other related documents and any transactions contemplated by such documents provided that such fees shall be up to an amount not exceeding HK$800,000.

   The Deed of Settlement was approved by the independent shareholders of the Company in a special general meeting held on 16th February 2011. Upon fulfillment of conditions of the Deed of Settlement, the Termination Convertible Bonds was issued on 28th February 2011 and approximately HK$129 million compensation expense on rescission of contract was recognised in the consolidated statement of comprehensive income during the year.

3. On 30th April 2009, the Company as the purchaser, Wonder Champion Investment Limited as the vendor, and Mr. Zeng Jian as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise Group Limited (the "Seawise Acquisition"). Both the vendor and the guarantor were independent third parties of the Company. Details are set out in the circular of the Company dated 20th May 2010. Since the vendor was unable to fulfil certain conditions precedent, the Seawise Acquisition was terminated. On 28th July 2010, the Company entered into a deed of settlement with the director/controlling shareholder of the vendor and the guarantor. Pursuant to the deed of settlement, the guarantor has agreed to compensate the Company a total sum of HK$50 million with HK$10 million already paid to and received by the Company and the remaining HK$40 million to be paid within 6 months of the deed of settlement in cash and/or issued shares of Hong Kong listed issuer tradable on The Stock Exchange of Hong Kong Limited.

   Up to the date of approval of these consolidated financial statements, the Group has not yet received the balance of the compensation of HK$40 million. In the opinion of the directors, the realisation of the remaining HK$40 million is uncertain, therefore it is not recognised in the consolidated financial statements for the year ended 31st March 2011. While continuing its discussions with Zeng Jian, the Company is also exploring legal alternatives to recover the unpaid balance of HK$40,000,000.

FINANCIAL REVIEW *(Continued)*

Capital Commitment

As at 31st March 2011, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately HK$251,000 in respect of the exploration work to be performed.

Contingent Liabilities

As at 31st March 2011, the Group had no significant contingent liabilities.

PROSPECTS AND OUTLOOK

It is the Company's long term business development strategy to establish the Group as a coal and natural resources company. Going forward, the Group will expand its coal business and is also actively exploring the possibilities of disposing the health and beauty products and services business. The Group will continue to focus its efforts to identify and pursue other feasible resources projects.

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

HUMAN RESOURCES

As at 31st March 2011, the Group had a total of 90 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31st March 2011, applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save and except certain deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the financial year ended 31st March 2011.

Directors and Directors' Independence

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

Executive directors

Mr. Sun David Lee	*(Chairman) (appointed as Chairman on 30th June 2011)*
Mr. Jin Langchuan	
Mr. Kwok Wing Leung, Andy	
Mr. Chen Yunfei	*(Chairman) (appointed on 18th October 2010 and resigned on 30th June 2011)*
Ms. Hu Suling	*(Chairman and Chief Executive Officer) (resigned on 28th September 2010)*

Non-executive directors

Mr. Yeung Ting Lap, Derek Emory	*(contracted for a specific term of 2 years from 1st April 2010)*
Ms. Nie Fei	*(resigned on 28th September 2010)*
Mr. Li Ruihai	*(resigned on 28th September 2010)*
Mr. Yip Toutou	*(retired on 28th September 2010)*

Independent non-executive directors

Ms. Chiu Kam Hing, Kathy	*(contracted for a specific term of 2 years from 1st April 2010)*
Mr. Ho Man Kin, Tony	*(contracted for a specific term of 2 years from 1st April 2010)*
Mr. Li Kar Fai, Peter	*(contracted for a specific term of 2 years from 1st April 2010)*
Ms. Lu He	*(resigned on 30th June 2011)*
Professor Wang Lijie	*(resigned on 28th September 2010)*

DIRECTORS *(Continued)*

Directors and Directors' Independence (Continued)

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

During the financial year ended 31st March 2011, 13 Board meetings, 2 meetings of the Audit Committee of the Company (the "Audit Committee") and 2 meetings of the Remuneration Committee of the Company (the "Remuneration Committee") were held respectively. Attendance by directors at Board and Committee meetings is shown below:

Attendance Record for the Board and Committee Meetings During the Year		Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
		Number of Attendance/Number of Meeting		
Executive directors				
Mr. Sun David Lee		11/13	N/A	N/A
Mr. Jin Langchuan		12/13	N/A	N/A
Mr. Kwok Wing Leung, Andy		10/13	N/A	N/A
Mr. Chen Yunfei	*(appointed on 18th October 2010 and resigned on 30th June 2011)*	2/13	N/A	N/A
Ms. Hu Suling	*(resigned on 28th September 2010)*	6/13	N/A	N/A
Non-executive directors				
Mr. Yeung Ting Lap, Derek Emory		8/13	2/2	2/2
Ms. Nie Fei	*(resigned on 28th September 2010)*	2/13	N/A	N/A
Mr. Li Ruihai	*(resigned on 28th September 2010)*	2/13	N/A	N/A
Mr. Yip Toutou	*(retired on 28th September 2010)*	1/13	N/A	N/A
Independent non-executive directors				
Ms. Chiu Kam Hing, Kathy		6/13	N/A	N/A
Mr. Ho Man Kin, Tony		5/13	2/2	2/2
Mr. Li Kar Fai, Peter		11/13	2/2	2/2
Ms. Lu He	*(resigned on 30th June 2011)*	10/13	N/A	N/A
Professor Wang Lijie	*(resigned on 28th September 2010)*	3/13	0/2	0/2

Note:

During the financial year ended 31st March 2011, 2 meetings of an ad hoc working committee of the Board consisting of any two directors from time to time were held to handle the administrative routine matters as delegated by the Board.

DIRECTORS *(Continued)*

Role and Function

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

– Formulation of operational and strategic direction of the Group;

– Monitoring the financial performance of the Group;

– Overseeing the performance of the management;

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

– Setting the Company's values and standards.

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

The attendance record of individual Board meetings during the year is set out in the table on page 10 of this report.

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

The Company has arranged appropriate and adequate general insurance cover in respect of legal action against its directors.

DIRECTORS *(Continued)*

The Separate Roles of Chairman and Chief Executive Officer

Ms. Hu Suling held both positions of chairman and chief executive officer of the Company during the period from 1st April 2010 to 27th September 2010 until her resignation with effect from 28th September 2010. Hence, during the said period from 1st April 2010 to 27th September 2010, the Company did not have a separate chairman and chief executive officer and this constitutes a deviation from code provision A.2.1 of the Code. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

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

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

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

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

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

Currently, the Company does not have chief executive officer.

Appointments and Re-election of Directors

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

DIRECTORS *(Continued)*

Appointments and Re-election of Directors (Continued)

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

Directors' Responsibility for Financial Statements

The directors acknowledge their responsibility in overseeing the preparation of the financial statements that give a true and fair view of the state of affairs of the Group. The financial statements have been prepared on a going concern basis as the directors believe that the fundraising plan and the cost-saving measures can improve the Group's liquidity position. Provided that the fundraising plan and the cost-saving measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. With the assistance of the finance department, the directors ensures that the financial statements of the Group are being prepared, and published in a timely manner, in accordance with the applicable accounting standards and statutory requirements. The directors' statements of responsibility for the financial statements should be read in conjunction with – but distinguished from – the Independent Auditor's Report on pages 35 to 36 of this Annual Report, which acknowledges the reporting responsibilities of the external auditors.

REMUNERATION COMMITTEE

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

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

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

(2) To have the delegated responsibility to determine the specific remuneration packages for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

REMUNERATION COMMITTEE *(Continued)*

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

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

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

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

The Remuneration Committee held two meetings during the year. The complete attendance record of individual committee members is set out in the table on page 10 of this report.

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

The Board has conducted review of the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31st March 2011 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

AUDIT COMMITTEE

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

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, (i) to oversee the relationship with the Company's auditors; (ii) to review the interim and annual financial statements; and (iii) to review the Company's financial reporting system and internal control and risk management procedures including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee held two meetings during the year. The complete attendance record of individual committee members is set out in the table on page 10 of this report.

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

AUDITORS

The financial reporting responsibilities of the auditors are set out on pages 35 to 36 of this Annual Report.

During the financial year ended 31st March 2011, the fees paid/payable to the external auditors, Deloitte Touche Tohmatsu, in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services rendered	**Fee paid/payable** HK$'000
Audit services	1,200
Non-audit services	1,384
	2,584

CORPORATE COMMUNICATION/INVESTOR RELATIONS

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

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

EXECUTIVE DIRECTORS

Mr. Sun David Lee

Mr. Sun, aged 45, has been an executive director of the Company since August 2008 and was appointed as the Chairman of the Company on 30th June 2011. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, the United States of America. Mr. Sun is currently an executive director of BIO-DYNAMIC GROUP LIMITED which shares are listed in the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Sun is currently responsible for the international affairs of BIO-DYNAMIC GROUP LIMITED and is a director of CEC Management Limited. Prior to helping form CEC Management Limited, he was the managing director and general counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey & Company, Inc., he practised law as an associate in the corporate group at Linklaters. Mr. Sun holds the position as director for other members of the Group.

Mr. Jin Langchuan

Mr. Jin, aged 68, has been an executive director and chief executive officer of the Company since September 2008. Mr. Jin ceased to be chief executive officer of the Company but remaining as an executive director of the Company and was appointed as vice president of the Company (in charge of power-related matters) in March 2009. Mr. Jin graduated from Nanjing Power Institute (南京電力專科學校) in 1962. Mr. Jin recently served as the senior advisor to Huaneng International Power Development Company (華能國際電力開發公司). Prior to that, Mr. Jin was the chief engineer and senior vice president of China Huaneng Group Company (中國華能集團公司), the largest independent power company in the People's Republic of China. Before Mr. Jin joined China Huaneng Group Company (中國華能集團公司) in 1995, he was the deputy director of Northeastern Power Administration Bureau (東北電業管理局副局長). Mr. Jin has over 44 years of management and operation experiences in the power industry of the People's Republic of China. Mr. Jin holds the position as director for other members of the Group.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Kwok Wing Leung, Andy

Mr. Kwok, aged 37, has been an executive director of the Company and chairman of the Board since September 2005, and resigned as chairman of the Board but remaining as an executive director of the Company in April 2009. Mr. Kwok has over 10 years of local and overseas financial and general management experience and has experience in the trading business in the People's Republic of China. Mr. Kwok holds a Master's degree in Business Administration from Tsinghua University and a Bachelor's degree in Economics from the University of Sydney. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kwok is the sole director and beneficial owner of Billion Pacific Ventures Limited, a substantial shareholder of the Company. Mr. Kwok is also the independent non-executive director of AGTech Holdings Limited which shares are listed in the Growth Enterprise Market of the Stock Exchange. Mr. Kwok holds the position as director for other members of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Yeung Ting Lap, Derek Emory

Mr. Yeung, aged 38, has been a non-executive director of the Company since September 2005. Mr. Yeung holds a Bachelor's degree in Applied Mathematics and Economics from Brown University and a Master's degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a member of the American Institute of the Certified Public Accountants. Mr. Yeung is presently the chief executive officer and co-founder of She.Com International Holdings Limited and She. Communications Limited, a leading female-centric cross-media communications company and an associate company of a Hong Kong listed company, TOM Group Limited. Mr. Yeung is currently a non-executive director of BIO-DYNAMIC GROUP LIMITED and an independent non-executive director of Dynasty Fine Wines Group Limited and shares of both companies are listed in the main board of the Stock Exchange. Mr. Yeung holds the position as director for other members of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy

Ms. Chiu, Justice of the Peace, aged 62, has been an independent non-executive director of the Company since June 2006. Ms. Chiu holds a Bachelor's degree in Business Administration in Canada and a Diploma in Economics, Finance & Political Studies from Beijing University in the People's Republic of China. Ms. Chiu is an associate and a fellow of the Institute of Canadian Bankers, has almost 30 years of banking experience in both Canada and Asia Pacific region and has held key position in a major bank of the United States of America. Ms. Chiu is an independent non-executive director of Qianlong Technology International Holdings Limited which shares are listed in the Growth Enterprise Market of the Stock Exchange.

Mr. Ho Man Kin, Tony

Mr. Ho, aged 40, has been an independent non-executive director of the Company since March 2006. Mr. Ho holds a Bachelor's degree in Management Science from the University of St. Andrews. Mr. Ho was most recently the Head of Special Situation Investments - Greater China, LaSalle Investment Management in Hong Kong and held key positions in various corporate advisory assignments. Mr. Ho has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. Li Kar Fai, Peter

Mr. Li, aged 46, has been an independent non-executive director of the Company since March 2006. Mr. Li holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting. Mr. Li is an independent non-executive director of Brilliance Worldwide Holdings Limited which shares are listed in the Growth Enterprise Market of the Stock Exchange.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 37 of the annual report.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 40 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 96 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There are no distributable reserves of the Company at 31st March 2011, calculated under The Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of HK$252,994,000 at 31st March 2011 (2010: HK$251,311,000), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 41% and 83% respectively of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 24% and 33% respectively of the Group's total turnover for the year.

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

DIRECTORS

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

Executive directors

Mr. Sun David Lee	*(Chairman) (appointed as Chairman on 30th June 2011)*
Mr. Jin Langchuan	
Mr. Kwok Wing Leung, Andy	
Mr. Chen Yunfei	*(Chairman) (appointed on 18th October 2010 and resigned on 30th June 2011)*
Ms. Hu Suling	*(Chairman and Chief Executive Officer) (resigned on 28th September 2010)*

Non-executive directors

Mr. Yeung Ting Lap, Derek Emory	
Ms. Nie Fei	*(resigned on 28th September 2010)*
Mr. Li Ruihai	*(resigned on 28th September 2010)*
Mr. Yip Toutou	*(retired on 28th September 2010)*

Independent non-executive directors

Ms. Chiu Kam Hing, Kathy	
Mr. Ho Man Kin, Tony	
Mr. Li Kar Fai, Peter	
Ms. Lu He	*(resigned on 30th June 2011)*
Professor Wang Lijie	*(resigned on 28th September 2010)*

DIRECTORS *(Continued)*

In accordance with Bye-law 110 of the Company's Bye-laws, Mr. Kwok Wing Leung, Andy, Mr. Yeung Ting Lap, Derek Emory and Mr. Li Kar Fai, Peter will retire as directors of the Company by rotation at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

As at 31st March 2011, the interests of the directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director	Number of shares/underlying shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Chen Yunfei	10,000,000 *(Note 1)*	–	10,000,000	0.60
Jin Langchuan	10,000,000 *(Note 2)*	–	10,000,000	0.60
Sun David Lee	9,000,000 *(Note 3)*	–	9,000,000	0.54
Kwok Wing Leung, Andy	13,942,320 *(Note 4)*	401,533,775 *(Note 5)*	415,476,095	24.90

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Name of director	Number of shares/underlying shares held Personal interests	Corporate interests	Total	% of the issued share capital
Yeung Ting Lap, Derek Emory	10,692,660 *(Note 6)*	–	10,692,660	0.64
Lu He	2,000,000 *(Note 7)*	–	2,000,000	0.12
Chiu Kam Hing, Kathy	2,000,000 *(Note 8)*	–	2,000,000	0.12
Ho Man Kin, Tony	2,000,000 *(Note 9)*	–	2,000,000	0.12
Li Kar Fai, Peter	2,000,000 *(Note 10)*	–	2,000,000	0.12

Notes:

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

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

3. The personal interests of Mr. Sun David Lee represent an interest in underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

4. The personal interests of Mr. Kwok Wing Leung, Andy include an interest in underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Kwok Wing Leung, Andy to subscribe for 7,000,000 shares of HK$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes: (Continued)

6. Out of 10,692,660 shares, 3,192,660 shares were issued to Mr. Yeung Ting Lap, Derek Emory pursuant to the service agreement dated 31st January 2008 entered into between the Company and Mr. Yeung Ting Lap, Derek Emory, the details of which were disclosed in the circular of the Company dated 19th May 2008 (the "Circular"). The personal interests of Mr. Yeung Ting Lap, Derek Emory include an interest in underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Yeung Ting Lap, Derek Emory to subscribe for 7,000,000 shares of HK$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

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

8. The personal interests of Ms. Chiu Kam Hing, Kathy represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Ms. Chiu Kam Hing, Kathy to subscribe for 2,000,000 shares of HK$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

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

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

Save as disclosed above, none of the directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st March 2011, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 29 to the consolidated financial statements.

2003 Scheme

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

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

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

2007 Scheme

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

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

(I)	Purpose of the scheme	:	The purpose of the 2007 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.
(II)	Participants of the scheme	:	The directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.10 each in the capital of the Company.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme (Continued)

(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this report	:	The number of shares available for issue under the 2007 Scheme was 240,988,752 shares representing approximately 12.84% of the issued share capital as at the date of this report.
(IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the 2007 Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.
(V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The 2007 Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	:	Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option.
(VIII)	The basis of determining the exercise price	:	The exercise price must not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
(IX)	The remaining life of the scheme	:	The 2007 Scheme has the period of 10 years commencing from 28th September 2007.

SHARE OPTION SCHEMES *(Continued)*

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

					Number of share options				
Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Balance at 01/04/2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2011
Chen Yunfei Director	2007	18/10/2010	18/10/2010 to 17/10/2020	0.275	–	10,000,000	–	–	10,000,000
Jin Langchuan Director	2007	01/09/2008	01/09/2008 to 31/08/2018	0.301	10,000,000	–	–	–	10,000,000
Sun David Lee Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	9,000,000	–	–	9,000,000
Kwok Wing Leung, Andy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
Yeung Ting Lap, Derek Emory Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
Lu He Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Chiu Kam Hing, Kathy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Ho Man Kin, Tony Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Li Kar Fai, Peter Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Sub-total:					10,000,000	41,000,000	–	–	51,000,000

SHARE OPTION SCHEMES *(Continued)*

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options: Balance at 01/04/2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2011
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	11,250,000	–	(6,300,000)	–	4,950,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	700,000	–	(530,000)	–	170,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.270	2,000,000	–	–	–	2,000,000
	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
	2007	01/12/2010	01/12/2010 to 30/11/2020	0.250	–	1,300,000	–	–	1,300,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.210	5,442,320	–	–	–	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	18,060,000	–	–	–	18,060,000
Sub-total:					37,452,320	8,300,000	(6,830,000)	–	38,922,320
Total:					47,452,320	49,300,000	(6,830,000)	–	89,922,320

The closing price of the Company's shares immediately before the date of the aforesaid grants of the options on 29th July, 18th October and 1st December 2010, being 28th July, 15th October and 30th November 2010, were HK$0.204, HK$0.280 and HK$0.250 respectively.

The weighted average closing price of the Company's shares immediately before the dates of the aforesaid exercises of the options was HK$0.29.

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

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31st March 2011, the following corporations, other than a director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
China Enterprise Capital Limited *(Note 1)*	Interests of a controlled corporation	Long position	2,728,061,312	163.48
CEC Resources and Minerals Holdings Limited *(Note 1)*	Interests of a controlled corporation and beneficial owner	Long position	2,728,061,312	163.48
Sino Minerals Capital Limited *(Note 1)*	Interests of a controlled corporation	Long position	2,072,355,634	124.19
Sino Mining Investment Limited *(Note 1)*	Interests of a controlled corporation and beneficial owner	Long position	2,072,355,634	124.19
CEC Resources Limited *(Note 1)*	Beneficial Owner	Long position	1,635,999,574	98.04
Billion Pacific Ventures Limited *(Note 2)*	Beneficial Owner	Long position	401,533,775	24.06
Chan Yuk Lam	Beneficial Owner	Long position	155,468,900	9.32
Liu Rong, Polly *(Note 3)*	Interests of a controlled corporation	Long position	7,622,625,000	456.79
Wonder Champion Investment Limited *(Note 3)*	Beneficial Owner	Long position	7,622,625,000	456.79

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

Notes:

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

   CEC Resources and Minerals Holdings Limited, a wholly-owned subsidiary of China Enterprise Capital Limited, is also directly interested in the shares and the underlying shares in the Company. In particular, CEC Resources and Minerals Holdings Limited is interested in the underlying shares in the Company in accordance with the terms of the deed of settlement dated 1st November 2010 into which CEC and the Company entered, the details of which were disclosed in the circular of the Company dated 28th January 2011 (the "2011 Circular"). As such, China Enterprise Capital Limited is deemed to be interested in the shares and the underlying shares in the Company held by CEC Resources and Minerals Holdings Limited by virtue of the SFO.

   Sino Mining Investment Limited is also directly interested in the underlying shares in the Company. Sino Minerals Capital Limited is interested in more than one-third of the issued share capital of Sino Mining Investment Limited. As such, Sino Minerals Capital Limited is deemed to be interested in the underlying shares in the Company held by Sino Mining Investment Limited by virtue of the SFO.

   The percentage of share capital is shown for illustration purpose only as pursuant to the terms of the convertible bond, the details of which were disclosed in the Circular and the 2011 Circular. The holder of the convertible bond shall have the right to convert the convertible bond into shares of the Company provided that (i) any conversion of the convertible bond does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holder of the convertible bond which exercised the conversion rights attached to the convertible bond; and (ii) the public float of the shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at any one time in compliance with the Listing Rules.

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

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

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

Notes: (Continued)

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

However, as certain condition precedent of the Agreement could not be satisfied on 30th June 2010, or such later date as the parties to the Agreement agreed, the Agreement had ceased and terminated thereafter. Accordingly, Wonder Champion and Ms. Liu Rong, Polly ceased to have interest in the shares and the underlying shares in the Company.

4. The percentage shown was the number of securities the relevant person was interested expressed as an approximate percentage of the number of issued shares as at 31st March 2011.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March 2011.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

CONNECTED TRANSACTIONS

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

On 1st November 2010, the Company entered into a deed of settlement (the "Deed") with CEC Resources Limited ("CEC"), a shareholder of the Company, as the vendor and China Enterprise Capital Limited, the ultimate holding company of CEC, as the guarantor in relation to the settlement of the acquisition of the entire issued share capital of Power Field Holdings Limited by the Company pursuant to the agreement dated 25th January 2008 entered into between the Company, CEC and China Enterprise Capital Limited (the "PF Acquisition") at the consideration of HK$110,000,000.00 to be satisfied by way of issuing termination convertible bonds and payment in cash to reimburse the vendor and the guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the Deed, the termination convertible bonds and other related documents up to an amount not exceeding HK$800,000.00 (the "Settlement"). As the entering into the Deed constituted a material change of terms of the PF Acquisition and as the vendor and the guarantor were deemed connected persons of the Company, the entering into the Deed constituted a connected transaction under Chapter 14A of the Listing Rules. The details of the Deed and the Settlement were disclosed in the circular of the Company dated 28th January 2011. The Settlement was approved by the independent shareholders of the Company at the special general meeting held on 16th February 2011. Upon completion and satisfaction of the conditions precedent of the Deed, the Company issued termination convertible bonds to CEC and CEC Resources and Minerals Holdings Limited, the holding company of CEC, pursuant to the terms of the Deed on 28th February 2011.

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

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes as an incentive to directors and eligible employees. Details of the schemes are set out in note 29 to the consolidated financial statements.

DONATION

During the year, the Group made charitable donation of HK$5,000 (2010: HK$50,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 35 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Sun David Lee
Chairman

Hong Kong, 30th June 2011

Deloitte.
德勤

TO THE SHAREHOLDERS OF ASIA COAL LIMITED
亞洲煤業有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 95, which comprise the consolidated statement of financial position as at 31st March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of HK$207,690,000 during the year ended 31st March 2011 and, as of that date, the Group's current liabilities exceed its current assets by HK$182,726,000. The directors of the Company are implementing a fundraising plan and have identified a series of measures in order to improve the liquidity position of the Group. The validity of the going concern assumption on which the consolidated financial statements are prepared is highly dependent on the successful implementation of the plan and these measures. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
Revenue	8	**8,531**	6,866
Cost of sales		**(6,677)**	(4,613)
Gross profit		**1,854**	2,253
Other income	10	**10,296**	160
Selling and distribution expenses		**(22,788)**	(7,640)
Administrative expenses		**(31,024)**	(52,643)
Finance costs	11	**(20,907)**	(17,719)
Impairment loss on prepayments	19	**(15,653)**	–
Compensation expense on rescission of contract	18	**(129,468)**	–
Impairment loss on an intangible asset		**–**	(800)
Loss before tax		**(207,690)**	(76,389)
Taxation	12	**–**	–
Loss for the year	13	**(207,690)**	(76,389)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**499**	318
Total comprehensive expense for the year		**(207,191)**	(76,071)
Loss for the year attributable to:			
Owners of the Company		**(207,064)**	(76,245)
Non-controlling interests		**(626)**	(144)
		(207,690)	(76,389)
Total comprehensive expense attributable to:			
Owners of the Company		**(206,576)**	(75,928)
Non-controlling interests		**(615)**	(143)
		(207,191)	(76,071)
LOSS PER SHARE	16		
Basic and diluted		**(12.42) HK cents**	(4.61) HK cents

Consolidated Statement of Financial Position

At 31st March 2011

	NOTES	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**9,844**	3,021
Exploration and evaluation assets	18	**391,349**	383,828
Prepayments	19	**–**	16,278
		401,193	403,127
Current assets			
Inventories – finished goods		**1,556**	1,674
Trade and other receivables	20	**6,231**	5,678
Pledged bank deposits	21	**1,720**	1,719
Bank balances and cash	21	**5,946**	26,837
		15,453	35,908
Current liabilities			
Trade and other payables and accrued charges	22	**14,737**	7,761
Amounts due to related parties	23	**20,768**	200
Amount due to a non-controlling shareholder of a subsidiary	23	**2,812**	–
Obligations under finance leases – due within one year	24	**30**	48
Convertible bonds	27	**158,501**	–
Secured bank overdrafts	25	**1,331**	1,354
		198,179	9,363
Net current (liabilities) assets		**(182,726)**	26,545
Total assets less current liabilities		**218,467**	429,672
Non-current liabilities			
Obligations under finance leases – due after one year	24	**71**	101
Convertible bonds	27	**63,941**	138,203
		64,012	138,304
Net assets		**154,455**	291,368

Consolidated Statement of Financial Position

At 31st March 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**166,875**	166,192
Reserves		**(12,050)**	124,931
Equity attributable to owners of the Company		**154,825**	291,123
Non-controlling interests		**(370)**	245
		154,455	291,368

The consolidated financial statements on pages 37 to 95 were approved and authorised for issue by the Board of Directors on 30th June 2011 and are signed on its behalf by:

Sun David Lee	**Kwok Wing Leung, Andy**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31st March 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April 2009	165,254	249,005	4,465	108,238	(1,264)	(161,180)	364,518	–	364,518
Loss for the year	–	–	–	–	–	(76,245)	(76,245)	(144)	(76,389)
Exchange differences arising on translation of foreign operations	–	–	–	–	317	–	317	1	318
Total comprehensive income (expense) for the year	–	–	–	–	317	(76,245)	(75,928)	(143)	(76,071)
Subtotal	165,254	249,005	4,465	108,238	(947)	(237,425)	288,590	(143)	288,447
Issue of shares upon exercise of share options	938	2,306	(711)	–	–	–	2,533	–	2,533
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	388	388
At 31st March 2010	166,192	251,311	3,754	108,238	(947)	(237,425)	291,123	245	291,368
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(207,064)**	**(207,064)**	**(626)**	**(207,690)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**488**	**–**	**488**	**11**	**499**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**488**	**(207,064)**	**(206,576)**	**(615)**	**(207,191)**
Subtotal	**166,192**	**251,311**	**3,754**	**108,238**	**(459)**	**(444,489)**	**84,547**	**(370)**	**84,177**
Recognition of equity component of convertible bonds	**–**	**–**	**–**	**65,312**	**–**	**–**	**65,312**	**–**	**65,312**
Recognition of share-based payment expense	**–**	**–**	**3,122**	**–**	**–**	**–**	**3,122**	**–**	**3,122**
Issue of shares upon exercise of share options	**683**	**1,683**	**(522)**	**–**	**–**	**–**	**1,844**	**–**	**1,844**
At 31st March 2011	**166,875**	**252,994**	**6,354**	**173,550**	**(459)**	**(444,489)**	**154,825**	**(370)**	**154,455**

Consolidated Statement of Cash Flows

For the year ended 31st March 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(207,690)**	(76,389)
Adjustments for:			
Finance costs		**20,907**	17,719
Interest income		**(4)**	(44)
Equity-settled share-based payment expense		**3,122**	–
Loss (gain) on disposal of property, plant and equipment		**80**	(11)
Impairment loss recognised in respect of other receivables		**1,300**	302
Impairment loss on an intangible asset		**–**	800
Impairment loss on prepayments	19	**15,653**	–
Compensation income	10	**(10,000)**	–
Compensation expense on rescission of contract		**129,468**	–
Depreciation of property, plant and equipment		**2,599**	933
Write-down of inventories		**–**	227
Operating cash flows before movements in working capital		**(44,565)**	(56,463)
Decrease (increase) in inventories		**118**	(95)
Increase in trade and other receivables		**(1,853)**	(338)
Increase (decrease) in trade and other payables and accrued charges		**3,229**	(3,426)
Increase in amount due to related parties		**988**	–
Net cash used in operations		**(42,083)**	(60,322)
Interest income received		**4**	44
NET CASH USED IN OPERATING ACTIVITIES		**(42,079)**	(60,278)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,467)**	(3,022)
Additions of exploration and evaluation assets		**(3,629)**	(12,022)
Increase in pledged bank deposits		**(1)**	(2)
Compensation received		**10,000**	–
Proceeds from disposal of property, plant and equipment		**–**	20
Increase in prepayments		**–**	(4,056)
NET CASH USED IN INVESTING ACTIVITIES		**(3,097)**	(19,082)

Consolidated Statement of Cash Flows

For the year ended 31st March 2011

	NOTES	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Advance from a related party		**19,580**	–
Advance from a non-controlling shareholder of a subsidiary		**2,812**	–
Proceeds from issue of shares		**1,844**	2,533
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	388
(Decrease) increase in bank overdrafts		**(23)**	1,354
Finance costs paid		**(24)**	(21)
Repayment of obligations under finance leases		**(48)**	(102)
NET CASH FROM FINANCING ACTIVITIES		**24,141**	4,152
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(21,035)**	(75,208)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**26,837**	102,039
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**144**	6
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**5,946**	26,837

1. GENERAL

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

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that its current liabilities exceed its current assets by HK$182,726,000 as at 31st March 2011 and incurred a loss of approximately HK$207,690,000 for the year then ended. As detailed in note 35, the convertible bonds, which were classified as the current liabilities as at 31st March 2011, with the principal amount of HK$52 million were converted to the share capital of the Company in June 2011. Also, the Group had obtained the confirmations from the remaining convertible bonds holders that they agreed not to redeem the convertible bonds in the next twelve months from the date of approval of these consolidated financial statements. In addition, the Group also obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$19.6 million in the next twelve months from the date of approval of these consolidated financial statements.

Additionally, the directors have a plan to raise additional funds to improve the cash position of the Group including negotiating with an independent third party to issue a convertible bond amounting to approximately HK$30 million in the next twelve months from the date of approval of these consolidated financial statements. Further to the fundraising plan as mentioned above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company believe that the following cost-saving measures can improve the Group's liquidity position.

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

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

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

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

New and revised standards and interpretations applied in the current year

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 (the "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 (Amendments)	Classification of Right Issues
HKAS 39 (Amendment)	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

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

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

In line with the amendments to HKAS 1, the Group has classified the liability component of convertible bonds issued in the current year as non-current based on when cash settlement may be required to be made. As at 31st March 2011, the liability component of the convertible bonds with the carrying amount of HK$63,941,000 has been presented as non-current liabilities.

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for attribution of loss to non-controlling interests.

HKAS 27 (Revised) requires the Group to allocate the total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Previously, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The application of HKAS 27 (as revised in 2008) has resulted in an decrease in loss and other comprehensive income attributable to owners of the Company by HK$564,000 and nil, respectively, and an increase in loss and other comprehensive income for the year attributable to non-controlling interests by the same amounts. The effects on the basic and diluted loss per share are insignificant.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs 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]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July 2010.
3 Effective for annual periods beginning on or after 1st July 2011.
4 Effective for annual periods beginning on or after 1st January 2013.
5 Effective for annual periods beginning on or after 1st January 2012.
6 Effective for annual periods beginning on or after 1st January 2011.

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

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

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.

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.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2009) will not affect the classification and measurement of the Group's financial assets. The Group's financial assets are classified as loans and receivables and are held within a business model with an objective to collect the contractual cash flows and the contractual cash flows that are solely payments of principal and interest on the principal outstanding so these financial assets will continue to be measured at amortised cost.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2010) will not affect the classification and measurement of the Group's financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Revenue recognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (Continued)

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of mining and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

Impairment of exploration and evaluation assets

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

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

4. 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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

Taxation

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

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

4. 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. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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.

4. 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 lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefits scheme contributions

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to related parties/a non-controlling shareholder of a subsidiary, obligation under finance leases, secured bank overdrafts and convertible bonds) are subsequently measured at amortised cost using the effective interest method.

Convertible bond

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

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

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

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees or consultants

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions *(Continued)*

Equity instruments granted for acquisitions of assets

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

Property, plant and equipment

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group reviews the carrying amounts of the property, plant and equipment based on the value in use of the assets. These calculations require the use of judgment and estimates, such as estimating the probability, timing and value of underlying cash flows. On the above basis, the Group is of the view that no impairment of the Group's property, plant and equipment is required. As at 31 at March 2011, the carrying amount of the Group's property, plant and equipment was approximately HK$9,844,000 (2010: HK$3,021,000).

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

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account of the current economic environment, the directors of the Company have reviewed the development and exploration plans and confirmed that there is no impairment on the exploration and evaluation assets. As at 31st March 2011, the carrying amount of the exploration and evaluation assets was HK$391,349,000 (2010: HK$383,828,000).

Key sources of estimation uncertainty

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

Estimated impairment of trade and other receivables

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

As at 31st March 2011, the carrying amount of trade and other receivables is HK$6,231,000 (2010: HK$5,678,000). Impairment loss for other receivables of HK$1,300,000 (2010: HK$302,000) has been recognised during the year.

6. CAPITAL RISK MANAGEMENT

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

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

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

7. FINANCIAL INSTRUMENTS

7a. *Categories of financial instruments*

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**8,531**	29,419
Financial liabilities		
Amortised cost	**254,491**	143,064
Obligations under finance leases	**101**	149
	254,592	143,213

7b. *Financial risk management objectives and policies*

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

Market risk

(i) Currency risk

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (excluding inter-company loans) as at 31st March 2011 and 2010 are as follows:

	2011 **HK$'000**	2010 HK$'000
Assets		
Renminbi	**115**	1
US dollars	**1,954**	3,183
Liabilities		
Renminbi	**439**	195
US dollars	**3,240**	92
Euros	**100**	95

Sensitivity analysis

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

The Group's sensitivity analysis is prepared by using a 5% (2010: 5%) increase and decrease in the functional currencies of the group entities against Renminbi, Euros and US dollars. 5% (2010: 5%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including inter-company loans) and adjusts their translation at the year end for a 5% (2010: 5%) change in foreign currency rates. Where the relevant foreign currencies strengthen 5% (2010: 5%) against the functional currencies of the group entities, the Group's post-tax loss for the year would be increased by approximately HK$305,000 (2010: decreased by approximately HK$149,000). For 5% weakening of the relevant foreign currencies against the functional currencies of the group entities, there would be an equal and opposite impact on the post-tax loss for the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

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

(ii) Interest rate risk

The Group's bank balances and bank overdrafts (see note 25 for details) carry floating-rate interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

The Group is exposed to fair value interest rate risk in relation to the fixed-rate pledged bank deposits, finance leases and the liability component of convertible bonds (see notes 21, 24 and 27 respectively for details).

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

Sensitivity analysis

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31st March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk as 75% (2010: 89%) of the total trade receivables was due from the Group's largest customer within the logistic services (2010: health and beauty products) operating segment. The directors of the Company considered that the receivable balances from the largest customer do not represent a significant credit risk based on past collection experience.

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

Liquidity risk

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

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

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

	Weighted average interest rate %	On demand HK$'000	3 months or less HK$'000	More than 3 months but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31st March 2011							
Trade and other payables	–	4,200	2,938	–	–	7,138	7,138
Amounts due to related parties	–	20,768	–	–	–	20,768	20,768
Amount due to a non-controlling shareholder of a subsidiary	–	2,812	–	–	–	2,812	2,812
Obligations under finance leases	6.51	–	10	26	75	111	101
Bank overdrafts	5.75	1,331	–	–	–	1,331	1,331
Convertible bonds (note)	–	–	–	218,222	110,000	328,222	222,442
		29,111	2,948	218,248	110,075	360,382	254,592
At 31st March 2010							
Trade and other payables	–	2,247	470	590	–	3,307	3,307
Amount due to a related party	–	200	–	–	–	200	200
Obligations under finance leases	6.75	–	30	26	112	168	149
Bank overdrafts	5.75	1,354	–	–	–	1,354	1,354
Convertible bonds (note)	–	–	–	–	218,222	218,222	138,203
		3,801	500	616	218,334	223,251	143,213

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

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

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

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

8. REVENUE

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

	2011 **HK$'000**	2010 HK$'000
Sales of health and beauty products	**6,918**	6,866
Provision of beauty services	**882**	–
Provision of logistic services	**731**	–
	8,531	6,866

9. SEGMENT INFORMATION

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

1) Health and beauty products and services
2) Coal mining
3) Logistic services

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Health and beauty products and services		Coal mining		Logistic services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
External sales	**7,800**	6,866	**–**	–	**731**	–	**8,531**	6,866
Segment loss	**(25,280)**	(11,023)	**(18,415)**	(4,406)	**(1,153)**	–	**(44,848)**	(15,429)
Unallocated income								
– Interest income							**4**	44
– Compensation income							**10,000**	–
Unallocated expenses								
– Compensation expense on rescission of contract							**(129,468)**	–
– Central administration costs							**(22,471)**	(43,285)
– Finance costs							**(20,907)**	(17,719)
Loss before tax							**(207,690)**	(76,389)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss incurred by each segment without allocation of interest income, compensation income, compensation expense on rescission of contract, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2011 **HK$'000**	2010 HK$'000
Segment assets		
Health and beauty products and services	**8,878**	5,930
Coal mining	**391,746**	402,659
Logistic services	**6,754**	–
Total segment assets	**407,378**	408,589
Other unallocated assets	**9,268**	30,446
Consolidated assets	**416,646**	439,035
Segment liabilities		
Health and beauty products and services	**30,469**	4,185
Coal mining	**425**	322
Logistic services	**3,023**	–
Total segment liabilities	**33,917**	4,507
Other unallocated liabilities	**228,274**	143,160
Consolidated liabilities	**262,191**	147,667

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

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

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Health and beauty products and services		Coal mining		Logistic services		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:										
Capital expenditure	**2,509**	2,191	**4,269**	12,537	**6,624**	–	**319**	427	**13,721**	15,155
Depreciation	**1,497**	435	**182**	167	**543**	–	**377**	331	**2,599**	933
Impairment loss recognised in respect of other receivables	**–**	302	**1,300**	–	**–**	–	**–**	–	**1,300**	302
Impairment loss on an intangible asset	**–**	800	**–**	–	**–**	–	**–**	–	**–**	800
Loss (gain) on disposal of property, plant and equipment	**–**	2	**66**	–	**–**	–	**14**	(13)	**80**	(11)
Write-down of inventories	**–**	227	**–**	–	**–**	–	**–**	–	**–**	227

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**7,800**	6,866	**3,425**	2,450
PRC	**534**	–	**–**	74
Mongolia	**197**	–	**397,768**	400,603
	8,531	6,866	**401,193**	403,127

Information about major customer

Included in revenue arising from sales of health and beauty products and services of HK$7,800,000 (2010: HK$6,866,000) are revenue of approximately HK$2,033,000 (2010: HK$6,006,000) which arose from sales to the Group's largest customer.

10. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income	4	44
Compensation income (Note)	10,000	–
Others	292	116
	10,296	160

Note: On 30th April 2009, the Company as the purchaser, Wonder Champion Investment Limited as the vendor, and Mr. Zeng Jian as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise Group Limited (the "Seawise Acquisition"). Both the vendor and the guarantor are independent third parties of the Company. Details are set out in the circular of the Company dated 20th May 2010. Since the vendor was unable to fulfil certain conditions precedent, the Seawise Acquisition was terminated. On 28th July 2010, the Company entered into a deed of settlement with the director/controlling shareholder of the vendor and the guarantor. Pursuant to the deed of settlement, the guarantor has agreed to compensate the Company a total sum of HK$50 million with HK$10 million already paid to and received by the Company and the remaining HK$40 million to be paid within 6 months of the deed of settlement in cash and/or issued shares of Hong Kong listed issuer tradable on The Stock Exchange of Hong Kong Limited.

Up to the date of approval of these financial statements, the Group has not yet received the balance of the compensation of HK$40 million. In the opinion of the directors, the realisation of the remaining HK$40 million is not probable, therefore it is not recognised in the consolidated financial statements for the year ended 31st March 2011.

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on		
– bank overdrafts	16	9
– obligations under finance leases	8	12
Effective interests expense on convertible bonds	20,883	17,698
	20,907	17,719

12. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

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

	2011 **HK$'000**	2010 HK$'000
Loss before tax	**(207,690)**	(76,389)
Tax at Hong Kong Profits Tax rate of 16.5%	**(34,268)**	(12,604)
Tax effect of expenses not deductible for tax purpose	**26,304**	5,475
Tax effect of income not taxable for tax purpose	**(2,019)**	(142)
Tax effect of tax losses not recognised	**10,223**	7,522
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(240)**	(251)
Tax expense for the year	**–**	–

Details of deferred taxation are set out in note 26.

13. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
Salaries and other benefits	18,021	29,478
Retirement benefits scheme contributions	446	310
Equity-settled share-based payment expense (Note 29)	3,122	–
Total employee benefits expenses	21,589	29,788
Auditors' remuneration		
– Current year	1,226	1,123
Cost of inventories recognised as an expense	3,338	2,833
Write-down of inventories	–	227
Depreciation of property, plant and equipment	2,599	933
Loss (gain) on disposal of property, plant and equipment	80	(11)
Operating lease rentals in respect of rented premises	10,659	5,857
Impairment loss recognised in respect of other receivables	1,300	302
Net exchange gain	(3,104)	(1,364)

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2010: Nil).

15. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the 14 (2010: 14) directors were as follows:

2011

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note 5)	Contribution to retirement benefits schemes HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Chen Yunfei (Note 1)	–	1,090	–	6	868	1,964
Hu Suling (Note 2)	–	779	–	–	–	779
Kwok Wing Leung, Andy	–	659	–	3	413	1,075
Jin Langchuan	–	390	–	–	–	390
Sun David Lee	–	720	–	–	531	1,251
Non-executive directors						
Yeung Ting Lap, Derek Emory	75	–	–	–	413	488
Nie Fei (Note 2)	–	–	–	–	–	–
Li Ruihai (Note 2)	–	–	–	–	–	–
Yip Toutou (Note 3)	–	–	–	–	–	–
Independent non-executive directors						
Chiu Kam Hing, Kathy	60	–	–	–	118	178
Ho Man Kin, Tony	60	–	–	–	118	178
Li Kar Fai, Peter	120	–	–	–	118	238
Lu He (Note 4)	60	–	–	–	118	178
Wang Lijie (Note 2)	118	–	–	–	–	118
	493	3,638	–	9	2,697	6,837

Notes:

1. Mr. Chen was appointed as a director of the Company on 18th October 2010 and resigned on 30th June 2011.

2. Ms. Hu, Ms. Nie, Mr. Li and Professor Wang resigned as directors of the Company on 28th September 2010.

3. Mr. Yip retired as a director of the Company on 28th September 2010.

4. Ms. Lu resigned as a director of the Company on 30th June 2011.

5. The discretionary bonus are performance related incentive payment for the year ended 31st March 2011.

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

(a) Directors' emoluments *(Continued)*

2010

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note 3)	Contribution to retirement benefits schemes HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Hu Suling	–	2,847	–	–	–	2,847
Kwok Wing Leung, Andy	–	3,197	8,500	12	–	11,709
Jin Langchuan	–	1,424	–	–	–	1,424
Sun David Lee	–	880	–	–	–	880
Tse Michael Nam (Note 1)	–	–	–	–	–	–
Non-executive directors						
Yeung Ting Lap, Derek Emory	–	–	–	–	–	–
Nie Fei	–	–	–	–	–	–
Li Ruihai	–	–	–	–	–	–
Yip Toutou (Note 2)	–	–	–	–	–	–
Independent non-executive directors						
Chiu Kam Hing, Kathy	60	–	–	–	–	60
Ho Man Kin, Tony	60	–	–	–	–	60
Li Kar Fai, Peter	120	–	–	–	–	120
Lu He	60	–	–	–	–	60
Wang Lijie	180	–	–	–	–	180
	480	8,348	8,500	12	–	17,340

Notes:

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

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

3. The discretionary bonus are performance related incentive payment for the year ended 31st March 2010.

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

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2010: three directors), details of whose emoluments are set out in (a) above.

The emoluments of the remaining two (2010: two) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**2,559**	3,332
Retirement benefits scheme contributions	**75**	37
	2,634	3,369

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
Not exceeding HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	2
	2	2

During the years ended 31st March 2011 and 2010, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. During the year ended 31st March 2011, emoluments amounting to HK$3,514,000 (2010: HK$390,000) was waived by the directors.

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

(c) Remuneration of key management

The key management of the Group is the directors of the Company, details of whose emoluments are set out in (a) above.

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

16. LOSS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(207,064)**	(76,245)

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,667,630,060**	1,654,059,019

The calculation of diluted loss per share for the year ended 31st March 2011 and 2010 has not assumed the conversion of the Company's convertible bonds and exercise of the share options as these potential ordinary shares are anti-dilutive during the respective financial years.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST					
At 1st April 2009	751	524	834	–	2,109
Exchange realignment	6	–	19	–	25
Additions	436	1,868	423	406	3,133
Disposals	(102)	–	(17)	–	(119)
At 31st March 2010	1,091	2,392	1,259	406	5,148
Exchange realignment	**10**	**–**	**30**	**59**	**99**
Additions	**434**	**2,398**	**216**	**6,419**	**9,467**
Disposals	**(88)**	**–**	**(22)**	**–**	**(110)**
At 31st March 2011	**1,447**	**4,790**	**1,483**	**6,884**	**14,604**
DEPRECIATION					
At 1st April 2009	405	505	384	–	1,294
Exchange realignment	1	–	5	4	10
Provided for the year	162	361	333	77	933
Eliminated on disposals	(97)	–	(13)	–	(110)
At 31st March 2010	471	866	709	81	2,127
Exchange realignment	**4**	**–**	**18**	**42**	**64**
Provided for the year	**222**	**1,421**	**340**	**616**	**2,599**
Eliminated on disposals	**(22)**	**–**	**(8)**	**–**	**(30)**
At 31st March 2011	**675**	**2,287**	**1,059**	**739**	**4,760**
CARRYING VALUES					
At 31st March 2011	**772**	**2,503**	**424**	**6,145**	**9,844**
At 31st March 2010	620	1,526	550	325	3,021

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

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

Furniture, fixtures and office equipment	10% – 33.3%
Leasehold improvements	33.3% or over the period of the relevant lease term, if shorter
Computer equipment	33.3%
Motor vehicles	20% – 33.3%

At 31st March 2011, the carrying value of the Group's property, plant and equipment included an amount of approximately HK$113,000 (2010: HK$178,000) in respect of assets held under finance leases.

18. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
At 1st April 2009	370,704
Additions of exploration and evaluation works during the year	12,022
Exchange realignment	1,102
At 31st March 2010	383,828
Additions of exploration and evaluation works during the year	**4,254**
Exchange realignment	**3,267**
At 31st March 2011	**391,349**

The exploration and evaluation assets represented the considerations paid for acquisitions of mineral mining licences and exploration licences in respect of the Saikhan Ovoo coal deposits in the Bulgan province of Mongolia in previous year and the costs incurred for subsequent exploration and evaluation works.

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

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

GF Acquisition

The GF acquisition was completed in late July 2008 and the Company settled the initial consideration for the GF acquisition amounting to approximately HK$363,292,000 to CEC Resources by the issuance of: (1) 329,705,093 new ordinary shares of the Company (representing 19.99% of the total issued share capital of the Company at the completion date of GF acquisition as enlarged by the issuance of the consideration shares); and (2) zero coupon convertible bond in the principal amount of HK$218,221,675 with a 5-year maturity. Details of the convertible bond issued is set out in note 27.

Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion and shall be determined based on the proved coal ore reserves and probable coal ore reserves in the Saikhan Ovoo coal deposit held by SMI by reference to the technical assessments (the "SMI Technical Assessment") prepared by a technical adviser. The consideration for the GF acquisition can be up to maximum of RMB760 million. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the due date for delivery of the SMI Technical Assessment to 31st March 2012. Up to the date of approval of these consolidated financial statements, the SMI Technical Assessment has not yet been completed. Therefore, no adjustment to acquisition consideration has been made.

As set out in the Company's circular dated 27th January 2011, the Company and the vendor agreed that the rights, obligations and liabilities of the parties under the GF acquisition shall not be affected by the PF deed of settlement as set out below.

During the year ended 31st March 2011, the Group had incurred an amount of approximately HK$4,254,000 (2010: HK$12,022,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including topography survey expenses, licence fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity during the year.

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

PF Acquisition

During the year ended 31st March 2011, all the conditions of the PF Agreement (as defined in the circular of the Company dated 19th May 2008) had been fulfilled and the parties thereto were thus legally bound to proceed to the completion of the PF acquisition in accordance with its terms. However, having reviewed and assessed the Sinotum resources technical assessment prepared by a technical adviser (the "Sinotum Resources Technical Assessment"), the directors of the Company were of the opinion that it is simply not economical to mine and sell the low rank brown coal resources held at the Erdenetsogt coal deposit due to the lack of an export market.

On 1st November 2010, the Company entered into a deed of settlement (the "Deed of Settlement") on an arm's length basis with the vendor and the guarantor to terminate the PF acquisition and to release the Company from all claims in connection with the PF Agreement. The Deed of Settlement was subject to independent shareholders' approval as the entering into the Deed of Settlement constituted a material change of terms of the PF acquisition and as the vendor and the guarantor were deemed connected persons of the Company. The settlement consideration shall be satisfied by (i) the issue of the five-year zero coupon convertible bonds in the principal amount of HK$110,000,000 at an initial conversion price of HK$0.20 per share (the "Termination Convertible Bonds") by the Company to the vendor, and (ii) the payment in cash to reimburse the vendor and the guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the Deed of Settlement, the Termination Convertible Bonds and other related documents provided that such fees shall be up to an amount not exceeding HK$800,000 (collectively, the "Settlement Consideration").

The Deed of Settlement was approved by independent shareholders of the Company in a special general meeting held on 16th February 2011. Upon completion and fulfillment of all conditions of the Deed of Settlement, the Termination Convertible Bonds were issued to CEC Resources and CEC Resources and Minerals Holdings Limited, the holding company of CEC Resources, pursuant to the terms of the Deed of Settlement on 28th February 2011. Accordingly, compensation expense on rescission of contract of HK$129,468,000, representing the fair value of the Termination Convertible Bonds at the issue date of HK$128,668,000 and the cash reimbursement of advisory fees of up to HK$800,000, was recognised in profit or loss during the year ended 31st March 2011. Details of the Termination Convertible Bonds are set out in note 27.

19. PREPAYMENTS

As at 31st March 2010, the prepayments represented payment made to technical advisers for conducting the technical assessments for both the GF and PF acquisitions of which HK$625,000 was related to the GF acquisition. During the year ended 31st March 2011, HK$625,000 was transferred to exploration and evaluation assets.

As explained in note 18, the Company entered into the Deed of Settlement to terminate the PF acquisition. As a result, the prepayments for conducting Sinotum Resources Technical Assessment was fully impaired and impairment loss on prepayments of HK$15,653,000 (2010: Nil) was recognised in profit or loss for the year ended 31st March 2011.

20. TRADE AND OTHER RECEIVABLES

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**708**	225
Other receivables, deposits and prepayments	**5,523**	5,453
	6,231	5,678

The Group has a policy of allowing credit periods ranging from 15 days to 90 days to its trade customers. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2011 **HK$'000**	2010 HK$'000
0 to 90 days	**708**	218
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**–**	7
	708	225

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. Majority of the trade receivables that are neither past due nor impaired have no default payment history. As at 31st March 2011, management assessed and considered the Group's outstanding trade receivables of good credit quality.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$306,000 (2010: HK$7,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits carry fixed interest rate which ranged from 0.01% to 0.10% (2010: 0.01% to 0.39%) per annum. These deposits have been pledged to secure bank overdrafts and short-term general facilities and they are therefore classified as current assets.

Bank balances

Bank balances carry interest at market rates ranged from 0.001% to 0.05% (2010: 0.001% to 0.4%) per annum.

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

	Renminbi HK$'000	**US dollars** HK$'000	**Total** HK$'000
At 31st March 2011	**10**	**1,420**	**1,430**
At 31st March 2010	1	3,183	3,184

22. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2011 **HK$'000**	2010 HK$'000
Trade payables:		
0 to 90 days	**3,577**	1,503
91 to 180 days	**1,780**	1,235
181 to 365 days	**–**	54
Over 365 days	**523**	464
	5,880	3,256
Deposits received from customers	**2,383**	102
Accrued charges	**5,216**	4,352
Other payables	**1,258**	51
	14,737	7,761

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

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

	Renminbi HK$'000	US dollars HK$'000	Euros HK$'000	Total HK$'000
As at 31st March 2011	**379**	**156**	**100**	**635**
As at 31st March 2010	195	92	95	382

23. AMOUNT DUE TO RELATED PARTIES/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2011 HK$'000	2010 HK$'000
Mr. Chen Yunfei	**904**	–
Mr. Sun David Lee	**284**	–
Mr. Kwok Wing Leung, Andy	**19,580**	200
Amounts due to related parties	**20,768**	200
Amount due to a non-controlling shareholder of a subsidiary	**2,812**	–

The amounts due to related parties and a non-controlling shareholder of a subsidiary represented amounts due to Mr. Chen Yunfei, Mr. Sun David Lee, Mr. Kwok Wing Leung, Andy, directors of the Company and a non-controlling shareholder of a subsidiary of the Company respectively. The amounts are unsecured, interest-free and repayable on demand.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**36**	56	**30**	48
In more than one year but not more than two years	**35**	36	**32**	30
In more than two years but not more than five years	**40**	76	**39**	71
	111	168	**101**	149
Less: Future finance charges	**(10)**	(19)	**N/A**	N/A
Present value of lease obligations	**101**	149	**101**	149
Less: Amounts due within one year shown under current liabilities			**(30)**	(48)
Amounts due after one year			**71**	101

The lease terms ranged from three to five years. The effective borrowing rates ranged from 3.8% to 13.9% (2010: 3.8% to 13.9%) per annum. Interest rates underlying all obligations under finance leases are fixed at respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

25. SECURED BANK OVERDRAFTS

The bank overdrafts carried interest at prime rate (as quoted by the bank) plus 0.5% per annum. The effective interest rate was 5.75% (2010: 5.75%) per annum.

26. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April 2009 and 31st March 2010	9	(9)	–
(Credit) charge for the year	(9)	9	–
At 31st March 2011	–	–	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$119 million (2010: HK$95 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams except for the deferred tax assets of HK$9,000 in respect to tax losses of HK$55,000 recognised at 31st March 2010. At 31st March 2011, included in unrecognised tax losses are losses of HK$8,901,000 (2010: HK$6,645,000) that will expire in 2011 to 2014 (2010: 2010 to 2014), other losses may be carried forward indefinitely.

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

27. CONVERTIBLE BONDS

Upon completion of GF acquisition in July 2008, the Company issued unsecured zero coupon convertible bond with a principal amount of HK$218,221,675 and maturity of five years from the issue date at an initial conversion price of HK$0.25 per share (subject to anti-dilutive adjustments) (the "GF Convertible Bonds") and the consideration shares to CEC Resources as consideration for the GF acquisition. CEC Resources became a shareholder of the Company thereafter. Details of these are set out in note 18.

On 28th February 2011, the Company issued the unsecured five-year zero coupon Termination Convertible Bonds in the principal amount HK$110,000,000 with an initial conversion price of HK$0.20 per share (subject to anti-dilutive adjustments) as part of the Settlement Consideration for the Deed of Settlement to terminate the PF acquisition and to release the Company from all claims in connection with the PF sales and purchase agreement. Details of these are set out in note 18.

27. CONVERTIBLE BONDS *(Continued)*

The holders of the GF Convertible Bonds and the Termination Convertible Bonds have the right to convert the whole or any part of the outstanding principal amount of the convertible bonds into shares of HK$0.10 each in the share capital of the Company at any time during the period commencing from the date immediately following the date of issue of the convertible bonds up to the day immediately prior to and exclusive of the maturity date at the conversion price of HK$0.25 per share and HK$0.20 per share for the GF Convertible Bonds and the Termination Convertible Bonds respectively. The convertible bonds may not be converted to the extent that, following such conversion, the bond holder would directly or indirectly control or be interested in an aggregate of 30% or more of the issued shares as enlarged by the issue of the conversion shares (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer).

The holders of the GF Convertible Bonds and the Termination Convertible Bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds at any time during the period commencing from the next day following the third anniversary of the issue of the convertible bonds and ending on the date immediately before the maturity date. Accordingly, the liability component of the GF Convertible Bonds is classified as a current liability as at 31st March 2011.

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

The GF Convertible Bonds and Termination Convertible Bonds both contain two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible bond equity reserve". The liability element is classified as current and non-current liabilities and carried at amortised cost using the effective interest method. The effective interest rates of the GF Convertible Bonds and the Termination Convertible Bonds are 13.78% and 11.09% per annum, respectively.

27. CONVERTIBLE BONDS *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
At the beginning of the year	**138,203**	120,505
Issue of the Termination Convertible Bonds	**63,356**	–
Effective interest expenses charged for the year	**20,883**	17,698
At the end of the year	**222,442**	138,203
Less: Amount included in current liabilities	**(158,501)**	–
Amount due after one year	**63,941**	138,203

On 16th June 2011, an aggregate principal sum of HK$52,000,000 of the GF Convertible Bonds was converted by the bond holder, details of which are set out in note 35.

The fair value of the equity component of the GF Convertible Bonds and the Termination Convertible Bonds on initial recognition is determined by using the Binomial model. The inputs into the model were as follows:

	GF Convertible Bonds	**Termination Convertible Bonds**
Share price	HK$0.44	HK$0.24
Conversion price	HK$0.25	HK$0.20
Expected volatility	79.97%	62.76%
Option life	5 years	5 years
Risk-free rate	3.3%	1.92%
Expected dividend yield	Nil	Nil

28. SHARE CAPITAL

	Notes	Authorised Number of shares	Authorised Nominal value HK$'000	Issued and fully paid Number of shares	Issued and fully paid Nominal value HK$'000
Ordinary shares of HK$0.10 each:					
At 1st April 2009		30,000,000,000	3,000,000	1,652,542,800	165,254
Issue of shares upon exercise of share options	(i)	–	–	9,380,000	938
At 31st March 2010		30,000,000,000	3,000,000	1,661,922,800	166,192
Issue of shares upon exercise of share options	**(ii)**	**–**	**–**	**6,830,000**	**683**
At 31st March 2011		**30,000,000,000**	**3,000,000**	**1,668,752,800**	**166,875**

Notes:

(i) During the year ended 31st March 2010, 9,380,000 ordinary shares of HK$0.10 each of the Company were issued upon the exercise of 9,380,000 share options at an exercise price of HK$0.27 per share. The new shares rank pari passu with all the other shares in issue in all respects.

(ii) During the year ended 31st March 2011, 6,830,000 ordinary shares of HK$0.10 each of the Company were issued upon the exercise of 6,830,000 share options at an exercise price of HK$0.27 per share. The new shares rank pari passu with all the other shares in issue in all respects.

29. SHARE-BASED PAYMENT TRANSACTIONS

Share options of the Company

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

(a) 2003 Scheme

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

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

(b) 2007 Scheme

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

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

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

Share options of the Company (Continued)

The following table discloses movements in the Company's share options during the year ended 31st March 2011:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2010	Granted during the year	Exercised during the year	At 31st March 2011
Directors	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	10,000,000	–	–	10,000,000
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	–	31,000,000	–	31,000,000
	2007	18th October 2010	N/A	18th October 2010 to 17th October 2020	0.275	–	10,000,000	–	10,000,000
Employees	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	11,250,000	–	(6,300,000)	4,950,000
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	700,000	–	(530,000)	170,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	–	2,000,000
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	–	7,000,000	–	7,000,000
	2007	1st December 2010	N/A	1st December 2010 to 30th November 2020	0.250	–	1,300,000	–	1,300,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	–	–	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	–	18,060,000
						47,452,320	49,300,000	(6,830,000)	89,922,320
Exercisable at end of the year									89,922,320
						HK$	HK$	HK$	HK$
Weighted average exercise price						0.270	0.217	0.270	0.241

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

Share options of the Company (Continued)

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

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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.28 (2010: HK$0.425).

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

Share options of the Company (Continued)

During the year ended 31st March 2011, 38,000,000 options, 10,000,000 options and 1,300,000 options with an exercise price of HK$0.200 per share, HK$0.275 per share and HK$0.250 per share were granted on 29th July 2010, 18th October 2010 and 1st December 2010 respectively. The estimated fair value of the options granted on 29th July 2010, 18th October 2010 and 1st December 2010 were approximately HK$2,171,000, HK$868,000 and HK$83,000 respectively. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Grant date	29th July 2010	18th October 2010	1st December 2010
No. of options granted	38,000,000	10,000,000	1,300,000
Share price as at the date of grant	HK$0.184	HK$0.270	HK$0.240
Exercise price	HK$0.200	HK$0.275	HK$0.250
Expected volatility	88.45%	88.58%	88.67%
Option life	10 years	10 years	10 years
Risk-free rate	2.24%	2.097%	2.494%
Expected dividend yield	Nil	Nil	Nil

Expected volatility of the options granted on 29th July 2010, 18th October 2010 and 1st December 2010 was determined by using the historical volatility of the Company's share price over the last 500 weeks before the respective grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the granted options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 31st March 2011, the Group recognised an aggregate amount of approximately HK$3,122,000 (2010: Nil) as expenses in relation to the share options granted by the Company to the Group's directors and employees and shown as staff costs.

30. OPERATING LEASES

The Group as lessee

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**9,996**	10,397
In the second to fifth year inclusive	**3,586**	8,803
	13,582	19,200

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

31. RETIREMENT BENEFITS SCHEMES

Hong Kong

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

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

The PRC

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

Mongolia

The employees of the Group, employed in Mongolia are members of the state-managed retirement benefits schemes operated by the Mongolian government. The Mongolian subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the schemes.

32. PLEDGE OF ASSETS

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

	2011 HK$'000	2010 HK$'000
Property, plant and equipment	113	178
Bank deposits	1,720	1,719
	1,833	1,897

33. RELATED PARTY DISCLOSURES

(i) Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in note 23.

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

Details of share options granted to directors of the Company are set out in note 29.

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

34. CAPITAL COMMITMENTS

The capital commitments of the Group as at 31st March 2011 are as follows:

(i) The capital commitments in respect of the exploration work to be performed contracted for but not provided for in the consolidated financial statements amounted to HK$251,000 (2010: HK$625,000).

There were no capital commitments in respect of the exploration work to be performed authorised but not contracted for as at 31st March 2011 and 31st March 2010.

34. CAPITAL COMMITMENTS *(Continued)*

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

Also on 31st January 2008, the Group and Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a director of the Company, entered into a service agreement pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under the acquisition agreements as set out in note 18 and for procuring the completion of the acquisitions in accordance with the agreements.

As set out in the service agreement, the Company would issue and allot to Mr. Yeung new shares based on certain specific formula upon occurrence of each of the events: (1) the completion of the GF acquisition; (2) the payment by the Company the amount equal to the reported reserves (in tonnage) in SMI Technical Assessment multiplied by the price of RMB4.00 per tonne to CEC Resources in accordance with the GF sale and purchase agreement; and (3) the payment by the Company in respect of the consideration of the PF acquisition. The maximum limit for the number of new shares to be issued shall be 50,000,000.

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

During the year ended 31st March 2011, the PF acquisition was terminated as set out in note 18. Therefore, the issuance of new shares to Mr. Yeung in respect of the payment of consideration for PF acquisition by the Company is no longer required as a result of the termination.

Therefore, the Group is committed to issue new shares to Mr. Yeung upon payment of adjusted acquisition consideration in relation to GF acquisition.

At as 31st March 2010, save as disclosed in (i) and (ii) above, the Group had capital commitments as follows:

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

34. CAPITAL COMMITMENTS *(Continued)*

The Seawise Acquisition was approved by the independent shareholders of the Company in a special general meeting held on 9th June 2010. As set out in the Company's announcement dated 16th July 2010, the completion of the Seawise Acquisition is conditional upon the fulfillment of certain conditions precedent as set out in the Circular.

Up to 16th July 2010, the Company has not received any evidence that all the conditions precedent have been fulfilled. As the vendor was unable to fulfil certain conditions precedent, the Seawise Acquisition had accordingly ceased and terminated and a deed of settlement was entered into between the director/controlling shareholder of the vendor and the guarantor. Details of which are set out in note 10.

35. EVENTS AFTHER THE REPORTING PERIOD

On 16th June 2011, an aggregate principal sum of HK$52,000,000 of the GF Convertible Bonds was converted by the GF Convertible Bonds holder at the conversion price of HK$0.25 per share (the "Conversion") and 208,000,000 ordinary shares of HK$0.10 each of the Company were issued upon Conversion, which represents approximately 12.46% of the existing issued share capital of the Company before the Conversion.

36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2011 and 2010 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of of issued share capital held by the Company indirectly		Principal activities
			2011	2010	
NB Management Services Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Provision of management services
Procare (Holdings) Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and investment holding
Procare International Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and provision of beauty services

36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of of issued share capital held by the Company indirectly 2011	2010	Principal activities
SMI LLC	Mongolia	10,000 common shares of Mongolian Tögrög 1,200 each	**100%**	100%	Coal mining
TTC&T LLC	Mongolia	1 common share of US dollars 100,000 each	**51%**	N/A	Coal transportation

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

37. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The summarised statement of financial position of the Company as at 31st March 2011 and 2010 is as follows:

	2011 HK$'000	2010 HK$'000
Total assets	**403,599**	432,214
Total liabilities	**(226,268)**	(141,311)
	177,331	290,903
Share capital	**166,875**	166,192
Reserves	**10,456**	124,711
Total equity	**177,331**	290,903

Loss for the year of the Company amounted to approximately HK$183,850,000 (2010: HK$74,313,000).

Financial Summary

RESULTS

	For the year ended 31st March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**8,531**	6,866	16,411	50,759	41,819
Loss before taxation	**(207,690)**	(76,389)	(35,466)	(28,978)	(12,160)
Taxation	**–**	–	390	430	7
Loss for the year	**(207,690)**	(76,389)	(35,076)	(28,548)	(12,153)
Loss for the year attributable to:					
Owners of the Company	**(207,064)**	(76,245)	(35,076)	(28,540)	(12,161)
Non-controlling interests	**(626)**	(144)	–	(8)	8
	(207,690)	(76,389)	(35,076)	(28,548)	(12,153)

ASSETS AND LIABILITIES

	At 31st March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**416,646**	439,035	495,745	57,619	64,450
Total liabilities	**(262,191)**	(147,667)	(131,227)	(24,042)	(24,308)
Net assets	**154,455**	291,368	364,518	33,577	40,142