ANNUAL REPORT 2011/12

亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

Stock Code: 835

Contents

Corporate Information

DIRECTORS

Executive directors

Sun David Lee *(Chairman)*
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

Unit 1301
13/F., Bonham Trade Centre
50 Bonham Strand
Sheung Wan, Hong Kong

COMPANY SECRETARY

Chow Kim Hang (a practicing solicitor in Hong Kong)

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

NOMINATION COMMITTEE

Sun David Lee
Ho Man Kin, Tony
Li Kar Fai, Peter

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. But the logistic services business has been discontinued during the year.

In the coal mining segment, the Group continued to hold the mining rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The JORC compliant resources report prepared by independent technical advisers shows estimated resources for the Saikhan Ovoo coal deposit in excess of 190 million tonnes. The coal resources estimated (on air dry basis) based on the analytical work on 165 coal samples taken from 27 boreholes with a total of 5,222 metres drilled are 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

Owing to the tight cashflow and the cost-saving measures of the Group, minimal exploration work has been carried out on the mine during the year.

In the health and beauty segment, new Dermagram product lines including the Sakura Whitening Program, the Derma V Program and the UV Solution have been launched during the year to provide more comprehensive product range for the customers.

In July 2011, the Group disposed of a subsidiary in the logistic services segment at a consideration of HK$2 million because of the continuing losses and unsatisfactory performance of the segment and has discontinued its logistic services business.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2012, the Group generated a consolidated turnover of approximately HK$11.2 million, representing an increase by HK$2.6 million or 31.0% as compared to that of last financial year. The increase in turnover was mainly due to the higher sales income generated by Dermagram products and facial services as new products lines are launched and brand awareness is enhanced.

The Group recorded a gross profit of approximately HK$5.5 million, representing a HK$3.7 million or 198.7% increase as compared to that of last financial year. The gross profit margin also increased from 21.7% as recorded in previous year to 49.6% for the year under review. The higher gross profit and gross profit margin were attributable to the health and beauty products and services segment as detailed in the segmental analysis section below.

Loss attributable to owners of the Company increased to approximately HK$307 million from HK$207 million as recorded in the previous financial year. The increase in loss was mainly due to the impairment loss on exploration and evaluation assets of approximately HK$244.9 million recorded during the year, the loss on disposal of a subsidiary amounting to approximately HK$3.1 million recorded during the year and the nonrecurring compensation income of HK$10 million recorded in the previous financial year, but the effect of which was partly offset by the decrease in administrative expenses by approximately HK$8.9 million and the nonrecurring impairment loss on prepayments approximately HK$15.7 million recorded in the previous financial year and compensation expense on rescission of contract of HK$129.5 million recorded in the previous financial year.

Segmental Analysis

Coal Mining

Approximately HK$1 million additional expenditures for the exploration and evaluation work of the Saikhan Ovoo coal deposit were incurred and capitalised as exploration and evaluation assets during the year.

An impairment loss on exploration and evaluation assets of approximately HK$244.9 million was recognised during the year. The fair value of the exploration and evaluation assets has been determined on the basis of market-based approach provided by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to similar market prices for similar assets in the similar locations and conditions and has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

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$10.3 million, representing an increase by HK$2.5 million or 32.1% as compared with that of last financial year. Gross profit of the segment also increased by HK$3.3 million or 131.0% to approximately HK$5.8 million this year and the gross profit margin of the segment also increased from 32.4% as recorded in previous year to 56.7% for this year. The improvements over the previous financial year are mainly due to significant increase in sales of Dermagram products and facial services as new Dermagram product lines are launched and brand awareness is enhanced. The segment recorded a higher gross profit margin for the year as greater proportion of revenue was contributed by the higher-margin Dermagram products and facial services while the revenue generated by the lower-margin OEM products lessened during the year due to the rather unsteady demand for the OEM products.

The segmental loss for the year decreased slightly to approximately HK$23.7 million from HK$25.3 million as recorded in the previous financial year as a result of the higher turnover and gross profit generated by Dermagram products and facial services during the year.

Logistic Services

During the year, the logistic services segment generated revenue of approximately of HK$0.9 million and gross loss of approximately HK$0.3 million before its discontinuance. Because of the continuing losses and unsatisfactory performance of the segment, the Group disposed of TTC&T LLC, a subsidiary that carried out the logistic services business at a consideration of HK$2 million and has discontinued this business segment during the year. The loss for the year from the discontinued operation was approximately HK$4.7 million, including loss on disposal of a subsidiary of approximately HK$3.1 million.

FINANCIAL REVIEW *(Continued)*

Financial Resources, Liquidity and Capital Structure

As at 31st March 2012, the Group held cash and bank balances amounting to approximately HK$5,069,000 (2011: HK$7,666,000) while the total borrowings of the Group were approximately HK$216,648,000 (2011: HK$246,165,000). As at 31st March 2012, the borrowings included bank overdrafts and the outstanding liability component of the convertible bonds issued in July 2008 (the "GF Convertible Bonds") and in February 2011 (the "Termination Convertible Bonds"). The GF Convertible Bonds and the Termination Convertible Bonds with respective outstanding principal amounts of HK$109,089,015 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 2012, the borrowings also included amounts due to related parties and a non-controlling shareholder of a subsidiary. These amounts are unsecured, interest-free and repayable on demand except for an amount due to a related party, CEC Resources and Minerals Holdings Limited of approximately HK$7,094,000 which carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. three months from the first drawdown date, unless extended by CEC Resources and Minerals Holdings Limited at its sole discretion. The maturity date is extended to 12th January 2013. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (299.2%) (2011: 154.0%). The ratio of total borrowings over total assets was 137.8% (2011: 59.1%).

On 16th June 2011 and 5th July 2011, GF Convertible Bonds with respective principal amount of HK$52,000,000 and HK$57,132,659.54 were converted into 208,000,000 and 228,530,638 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 of the Group, the Group had obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$43.1 million in the next twelve months from the date of approval of these consolidated financial statements. In addition, a substantial shareholder of the Company has also agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due. Additionally, the directors of the Company have a plan to implement various cost-saving measure to improve the cash position of the Group. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

FINANCIAL REVIEW *(Continued)*

Charges on Assets

As at 31st March 2012, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,723,000 and HK$63,000 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 Acquisition & Disposal

1. As disclosed in the Company's annual report 2010/11, on 25th January 2008, the Group 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 mineral mining and other rights to the Saikhan Ovoo coal deposit. As at 31st March 2012, 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 held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a 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. During the year ended 31st March 2011, 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. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended and under negotiation with the vendor at the date of approval of these consolidated financial statements.

2. In July 2011, the Group disposed of TTC&T LLC, a subsidiary that carried out the Group's logistic services business, at a consideration of HK$2,000,000 and incurred a loss on disposal of subsidiary of approximately HK$3,106,000 during the year.

Contingent Liabilities

As at 31st March 2012, 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 2012, the Group had a total of 62 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 2012, applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code"), which has been renamed as Corporate Governance Code with effect from 1st April 2012 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 2012.

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	*(Vice President) (resigned on 6th September 2011)*
Mr. Kwok Wing Leung, Andy	
Mr. Chen Yunfei	*(Chairman) (resigned on 30th June 2011)*

Non-executive director

Mr. Yeung Ting Lap, Derek Emory	*(contracted for a specific term of 2 years from 1st April 2012)*

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 2012)*
Mr. Li Kar Fai, Peter	*(contracted for a specific term of 2 years from 1st April 2012)*
Ms. Lu He	*(resigned on 30th June 2011)*

* *The service contract between Ms. Chiu Kam Hing, Kathy and the Company expired on 31st March 2012 and was not renewed in view that Ms. Chiu will not offer herself for re-election at the annual general meeting of the Company for 2012.*

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 2012, 7 Board meetings, 3 meetings of the Audit Committee of the Company (the "Audit Committee") and 1 meeting 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 Meeting
		Number of Attendance/Number of Meeting		
Executive directors				
Mr. Sun David Lee		5/7	N/A	N/A
Mr. Jin Langchuan	*(resigned on 6th September 2011)*	3/5	N/A	N/A
Mr. Kwok Wing Leung, Andy		7/7	N/A	N/A
Mr. Chen Yunfei	*(resigned on 30th June 2011)*	2/3	N/A	N/A
Non-executive director				
Mr. Yeung Ting Lap, Derek Emory		7/7	3/3	1/1
Independent non-executive directors				
Ms. Chiu Kam Hing, Kathy		5/7	N/A	N/A
Mr. Ho Man Kin, Tony		5/7	3/3	1/1
Mr. Li Kar Fai, Peter		6/7	3/3	1/1
Ms. Lu He	*(resigned on 30th June 2011)*	2/3	N/A	N/A

DIRECTORS *(Continued)*

Role and Function of the Board

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

For the year ended 31st March 2012, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's present business operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Appointments and Re-election of Directors

Under code provision A.4.1 of the CG 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 (save for Ms. Chiu Kam Hing, Kathy, who will retire from the Board at the conclusion of the forthcoming annual general meeting 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 financial support from a director and a substantial shareholder and the cost-saving measures can improve the Group's liquidity position. Provided that the financial support from a director and a substantial shareholder 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 33 to 34 of this Annual Report, which acknowledges the reporting responsibilities of the external auditors.

NOMINATION COMMITTEE

The Board passed a resolution on 23rd March 2012 to establish the Nomination Committee comprising one executive director namely Mr. Sun David Lee (chairman) and two independent non-executive directors namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter. No Nomination Committee meeting was held between 23rd March 2012 and 31st March 2012.

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

(1) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

(2) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

(3) To assess the independence of independent non-executive directors.

(4) To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

Before the establishment of the Nomination Committee, the Board was responsible for reviewing its composition, identifying and selecting suitable Board members, assessing independence of the independent non-executive directors, considering appointment or reappointment of the directors and succession planning for the directors. The appointment of new directors was 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. There was no new directors appointed to the Board during the year ended 31st March 2012.

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.

REMUNERATION COMMITTEE *(Continued)*

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

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

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

(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 one meeting 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.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

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 2012 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 three 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 33 to 34 of this Annual Report.

During the financial year ended 31st March 2012, 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	179
	1,379

CORPORATE COMMUNICATION/INVESTOR RELATIONS

The CG 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 46, 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 and China Outfitters Holdings Limited and the shares of both companies are listed on 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, brands sourcing and transaction management of China Outfitters Holdings 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. Kwok Wing Leung, Andy

Mr. Kwok, aged 38, 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 39, has been a non-executive director of the Company since September 2005. Mr. Yeung is also the chief executive officer and co-founder of she.com international holdings limited, a non-executive director of Bio-dynamic Group Limited and an independent non-executive director of Dynasty Fine Wines Group Limited respectively, both are companies listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. He holds a bachelor degree in applied mathematics and economics from Brown University and a master degree in business administration and accounting from Northeastern University, both in the United States of America. He is a certified public accountant, a member of Chinese People's Political Consultative Conference of Qingdao City, the town planning appeal board panel and the municipal services appeals board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy

Ms. Chiu, Justice of the Peace, aged 63, 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 Main Board of the Stock Exchange (transfer of Listing from Growth Enterprise Market to the Main Board of the Stock Exchange, with effect from 29th August, 2011).

Mr. Ho Man Kin, Tony

Mr. Ho, aged 41, 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 47, 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.

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2012.

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 35 of the annual report.

RESERVES

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 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 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There are no distributable reserves of the Company at 31st March 2012, calculated under The Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 42% and 76% 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 17% and 26% 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	*(Vice President) (resigned on 6th September 2011)*
Mr. Kwok Wing Leung, Andy	
Mr. Chen Yunfei	*(Chairman) (resigned on 30th June 2011)*

Non-executive director

Mr. Yeung Ting Lap, Derek Emory

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)*

DIRECTORS *(Continued)*

In accordance with Bye-law 110 of the Company's Bye-laws, Mr. Ho Man Kin, Tony will retire as director of the Company by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. Ms. Chiu Kam Hing, Kathy will retire by rotation and will not offer herself for re-election at the forthcoming annual general of 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 2012, 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 Personal interests	Corporate interests	Total	% of the issued share capital
Sun David Lee	9,000,000 *(Note 1)*	–	9,000,000	0.43
Kwok Wing Leung, Andy	13,942,320 *(Note 2)*	401,533,775 *(Note 3)*	415,476,095	19.73

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 4)*	–	10,692,660	0.51
Chiu Kam Hing, Kathy	2,000,000 *(Note 5)*	–	2,000,000	0.09
Ho Man Kin, Tony	2,000,000 *(Note 6)*	–	2,000,000	0.09
Li Kar Fai, Peter	2,000,000 *(Note 7)*	–	2,000,000	0.09

Notes:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

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

Notes: (Continued)

6. 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.

7. 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 2012, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

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

2003 Scheme

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

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

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

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme

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

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

(I)	Purpose of the scheme	:	The purpose of the 2007 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.
(II)	Participants of the scheme	:	The directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.10 each in the capital of the Company.
(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this report	:	The number of shares available for issue under the 2007 Scheme was 240,988,752 shares representing approximately 11.45% 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.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme (Continued)

(V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The 2007 Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	:	Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option.
(VIII)	The basis of determining the exercise price	:	The exercise price must not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
(IX)	The remaining life of the scheme	:	The 2007 Scheme has the period of 10 years commencing from 28th September 2007.

SHARE OPTION SCHEMES *(Continued)*

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

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options: Balance at 01/04/2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2012
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:					51,000,000	–	–	(22,000,000)	29,000,000

SHARE OPTION SCHEMES *(Continued)*

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options Balance at 01/04/2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2012
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	4,950,000	–	–	–	4,950,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	170,000	–	–	–	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	–	–	(3,000,000)	4,000,000
	2007	01/12/2010	01/12/2010 to 30/11/2020	0.250	1,300,000	–	–	(300,000)	1,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.210	5,442,320	–	–	–	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	18,060,000	–	–	–	18,060,000
Sub-total:					38,922,320	–	–	(3,300,000)	35,622,320
Total:					89,922,320	–	–	(25,300,000)	64,622,320

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 2012, 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	2,727,911,312	129.57
CEC Resources and Minerals Holdings Limited *(Note 1)*	Interests of a controlled corporation and beneficial owner	Long position	2,727,911,312	129.57
Sino Minerals Capital Limited *(Note 1)*	Interests of a controlled corporation	Long position	2,072,355,634	98.44
Sino Mining Investment Limited *(Note 1)*	Interests of a controlled corporation and beneficial owner	Long position	2,072,355,634	98.44
CEC Resources Limited *(Note 1)*	Beneficial Owner	Long position	1,635,999,574	77.71
Billion Pacific Ventures Limited *(Note 2)*	Beneficial Owner	Long position	401,533,775	19.07

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 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 2012.

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 2012.

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.

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

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EMOLUMENT POLICY

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

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

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

DONATION

During the year, the Group had not made charitable donation (2011: HK$5,000).

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, 28th June 2012

Deloitte.
德勤

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

We were engaged to audit the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 95, which comprise the consolidated statement of financial position as at 31st March 2012, 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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 financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As set out in note 2 to the consolidated financial statements, the Group had net current liabilities of approximately HK$148,989,000 and net liabilities of approximately HK$73,391,000 as at 31st March 2012. The Company is pursuing certain measures as set out in note 2 to the consolidated financial statements to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the outcome of these measures. As set out in note 2 to the consolidated financial statements, the Group relies heavily on the financial support or funds from other parties including a director of the Company and a substantial shareholder who is also a convertible bond holder. The funding from these parties is the major source of financing option of the Group as the coal mining business of the Group has not yet started to contribute any cash flow to the Group at the end of the reporting period. These matters indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matters

We draw attention to note 19 to the consolidated financial statements. The Group owns two mining rights in Mongolia which may be revoked as a result of the enactment of the Mining Prohibition Law (the "MPL"). According to the MPL, the affected license holders, including the Group, are to be compensated but the details of the compensation are not currently available. If the Group's mining rights are revoked due to the MPL and the compensation received by the Group is significantly less than the carrying amounts of these concessions, the Group would incur a significant impairment loss on the related exploration and evaluation assets. The ultimate outcome of this matter cannot presently be determined and no provision for an impairment, if any, that may result from the above matter has been made in the consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2012

		Continuing Operations		Discontinued Operation		Total	
	Notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue	8&9	**10,305**	7,800	**869**	731	**11,174**	8,531
Cost of sales		**(4,466)**	(5,272)	**(1,170)**	(1,405)	**(5,636)**	(6,677)
Gross profit (loss)		**5,839**	2,528	**(301)**	(674)	**5,538**	1,854
Other income	10	**1,210**	10,295	**1**	1	**1,211**	10,296
Selling and distribution expenses		**(23,982)**	(22,788)	**–**	–	**(23,982)**	(22,788)
Administrative expenses		**(20,827)**	(30,572)	**(1,300)**	(452)	**(22,127)**	(31,024)
Finance costs	11	**(21,929)**	(20,907)	**–**	–	**(21,929)**	(20,907)
Impairment loss on prepayments	20	**–**	(15,653)	**–**	–	**–**	(15,653)
Impairment loss on exploration and evaluation assets	19	**(244,859)**	–	**–**	–	**(244,859)**	–
Compensation expense on rescission of contract	19	**–**	(129,468)	**–**	–	**–**	(129,468)
Loss on disposal of a subsidiary	30	**–**	–	**(3,106)**	–	**(3,106)**	–
Loss before tax		**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)
Taxation	12	**–**	–	**–**	–	**–**	–
Loss for the year	13	**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)
Other comprehensive (expense) income:							
Exchange differences arising on translation of foreign operations		**(456)**	491	**(8)**	8	**(464)**	499
Total comprehensive expense for the year		**(305,004)**	(206,074)	**(4,714)**	(1,117)	**(309,718)**	(207,191)
Loss for the year attributable to:							
Owners of the Company						**(306,945)**	(207,064)
Non-controlling interests						**(2,309)**	(626)
						(309,254)	(207,690)
Total comprehensive expense attributable to:							
Owners of the Company						**(307,409)**	(206,576)
Non-controlling interests						**(2,309)**	(615)
						(309,718)	(207,191)
LOSS PER SHARE	16						
From continuing and discontinued operations							
Basic and diluted						**(15.33) HK cents**	(12.42) HK cents
From continuing operations							
Basic and diluted						**(15.21) HK cents**	(12.38) HK cents
From discontinued operation							
Basic and diluted						**(0.12) HK cents**	(0.03) HK cents

Consolidated Statement of Financial Position

At 31st March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**2,028**	9,844
Exploration and evaluation assets	19	**145,000**	391,349
Prepayments	20	**–**	–
		147,028	401,193
Current assets			
Inventories – finished goods		**2,266**	1,556
Trade and other receivables	21	**2,876**	6,231
Pledged bank deposits	22	**1,723**	1,720
Bank balances and cash	22	**3,346**	5,946
		10,211	15,453
Current liabilities			
Trade and other payables and accrued charges	23	**13,531**	14,737
Amounts due to related parties	24	**50,610**	20,768
Amount due to a non-controlling shareholder of a subsidiary	24	**2,819**	2,812
Obligations under finance leases – due within one year	25	**22**	30
Convertible bonds	28	**90,876**	158,501
Secured bank overdrafts	26	**1,342**	1,331
		159,200	198,179
Net current liabilities		**(148,989)**	(182,726)
Total assets less current liabilities		**(1,961)**	218,467
Non-current liabilities			
Obligations under finance leases – due after one year	25	**29**	71
Convertible bonds	28	**71,401**	63,941
		71,430	64,012
Net (liabilities) assets		**(73,391)**	154,455

At 31st March 2012

	Notes	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**210,528**	166,875
Reserves		**(281,240)**	(12,050)
Equity attributable to owners of the Company		**(70,712)**	154,825
Non-controlling interests		**(2,679)**	(370)
		(73,391)	154,455

The consolidated financial statements on pages 35 to 95 were approved and authorised for issue by the Board of Directors on 28th June 2012 and are signed on its behalf by:

Sun David Lee
DIRECTOR

Kwok Wing Leung, Andy
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April 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
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(306,945)**	**(306,945)**	**(2,309)**	**(309,254)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(464)**	**–**	**(464)**	**–**	**(464)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(464)**	**(306,945)**	**(307,409)**	**(2,309)**	**(309,718)**
Subtotal	**166,875**	**252,994**	**6,354**	**173,550**	**(923)**	**(751,434)**	**(152,584)**	**(2,679)**	**(155,263)**
Issue of shares upon conversion of convertible bonds	**43,653**	**92,349**	**–**	**(54,130)**	**–**	**–**	**81,872**	**–**	**81,872**
Lapse of share options	**–**	**–**	**(2,151)**	**–**	**–**	**2,151**	**–**	**–**	**–**
At 31st March 2012	**210,528**	**345,343**	**4,203**	**119,420**	**(923)**	**(749,283)**	**(70,712)**	**(2,679)**	**(73,391)**

Consolidated Statement of Cash Flows

For the year ended 31st March 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(309,254)**	(207,690)
Adjustments for:			
Finance costs		**21,929**	20,907
Interest income		**(6)**	(4)
Recovery of bad debts		**(131)**	–
Waive of amount due to a related party		**(792)**	–
Equity-settled share-based payment expense		**–**	3,122
Loss on disposal of property, plant and equipment		**508**	80
Loss on disposal of a subsidiary	30	**3,106**	–
Impairment loss recognised in respect of trade and other receivables		**2,976**	1,300
Impairment loss on prepayments	20	**–**	15,653
Impairment loss on exploration and evaluation assets		**244,859**	–
Compensation income	10	**–**	(10,000)
Compensation expense on rescission of contract		**–**	129,468
Depreciation of property, plant and equipment		**2,883**	2,599
Write-down of inventories		**186**	–
Operating cash flows before movements in working capital		**(33,736)**	(44,565)
(Increase) decrease in inventories		**(896)**	118
Decrease (increase) in trade and other receivables		**2,838**	(1,853)
(Decrease) increase in trade and other payables and accrued charges		**(631)**	3,229
Increase in amount due to related parties		**4**	988
Net cash used in operations		**(32,421)**	(42,083)
Interest income received		**6**	4
NET CASH USED IN OPERATING ACTIVITIES		**(32,415)**	(42,079)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,291)**	(9,467)
Additions of exploration and evaluation assets		**(1,036)**	(3,629)
Placement of pledged bank deposits		**(3)**	(1)
Compensation received		**–**	10,000
Proceeds from disposal of property, plant and equipment		**8**	–
Proceeds from disposal of a subsidiary	30	**1,714**	–
NET CASH USED IN INVESTING ACTIVITIES		**(608)**	(3,097)

Consolidated Statement of Cash Flows

For the year ended 31st March 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Advance from related parties	**30,630**	19,580
Advance from a non-controlling shareholder of a subsidiary	**7**	2,812
Proceeds from issue of shares	**–**	1,844
Finance costs paid	**(222)**	(24)
Repayment of obligations under finance leases	**(29)**	(48)
NET CASH FROM FINANCING ACTIVITIES	**30,386**	24,164
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,637)**	(21,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,615**	25,483
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**26**	144
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2,004**	4,615
Represented by:		
Bank balances and cash	**3,346**	5,946
Bank overdrafts	**(1,342)**	(1,331)
	2,004	4,615

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 also 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 37.

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 exceeded its current assets by HK$148,989,000 and its total liabilities exceeded its total assets by HK$73,391,000 as at 31st March 2012 and incurred a loss of approximately HK$309,254,000 for the year then ended. In addition, the coal mining business has not yet started to contribute any cash flow to the Group as at the end of the reporting period. The consolidated financial statements have been prepared on a going concern basis as the directors believe that the measures as detailed below will improve the financial position of the Group.

(i) The Group obtained a confirmation from a director of the Company such that the said director will not demand repayment of the amount due to him of approximately HK$43 million as at 31st March 2012 in the next twelve months from the date of approval of these consolidated financial statements.

(ii) CEC Resources and Minerals Holdings Limited, a substantial shareholder and the convertible bond holder with principal amount of HK$100,000,000 of the Company, has also agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

(iii) The management has prepared a detailed cost-saving plan to reduce administrative expenses including directors' emoluments and discretionary bonus.

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

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July 2011.
2 Effective for annual periods beginning on or after 1st January 2013.
3 Effective for annual periods beginning on or after 1st January 2015.
4 Effective for annual periods beginning on or after 1st January 2012.
5 Effective for annual periods beginning on or after 1st July 2012.
6 Effective for annual periods beginning on or after 1st January 2014.

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

HKFRS 9 Financial Instruments

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

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) is not expected to have impact on the classification and measurement of the Group's financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for its financial year beginning on 1st April 2013. The application of the standard is not expected to have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

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 in full 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 (effective from 1 April 2010 onwards).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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 financial asset's original effective interest rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to 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 are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bond (Continued)

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, 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 to consultants in exchange for services are measured at the fair values of the services received unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets. Corresponding adjustment is made to equity (share options reserve).

Equity instruments granted for acquisitions of assets

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

5. 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.

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.

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 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 31st March 2012, the carrying amount of the Group's property, plant and equipment was approximately HK$2,028,000 (2011: HK$9,844,000).

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"). As a result of cash constraint, during the current year, the management decided to suspend further exploration work until the Group has sufficient funding for the operation. This change has a significant impact on the related expected future cashflow from mining operation, therefore the management have assessed the impairment of the exploration and evaluation assets. As at 31st March 2012, the carrying amount of the exploration and evaluation assets was HK$145,000,000 (2011: HK$391,349,000). An impairment loss of HK$244,859,000 was recognised during the year ended 31st March 2012. The recoverable amount of the exploration and evaluation assets have been determined on the basis of fair value less costs to sell. The calculations require the use of estimates, such as estimating the total resources of the coal mines. Details are set out in note 19. If the expectation differs from the original resource estimate, such difference will impact the recoverable amount of the exploration and evaluation assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

Estimated impairment of inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. Impairment loss of HK$186,000 (2011: HK$Nil) has been recognised during the 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 2012, the carrying amount of trade and other receivables is HK$2,876,000 (2011: HK$6,231,000). Impairment loss for other receivables of HK$2,976,000 (2011: HK$1,300,000) 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 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

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**5,284**	8,531
Financial liabilities		
Amortised cost	**221,329**	254,491
Obligations under finance leases	**51**	101
	221,380	254,592

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, amounts 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 against Mongolian Tögrögs (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 2012 and 2011 are as follows:

	2012 HK$'000	2011 HK$'000
Assets		
Renminbi	**5**	115
US dollars	**1,270**	1,954
Liabilities		
Renminbi	**95**	439
US dollars	**2,846**	3,240
Euros	**94**	100

Sensitivity analysis

The Group is mainly exposed to the currency of Renminbi and Euros dollars against Hong Kong dollars, as well as US dollars against Renminbi and Mongolian Tögrögs. 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% (2011: 5%) increase and decrease in the functional currencies of the group entities against Renminbi, Euros and US dollars. 5% (2011: 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% (2011: 5%) change in foreign currency rates. Where the relevant foreign currencies strengthen 5% (2011: 5%) against the functional currencies of the group entities, the Group's post-tax loss for the year would be increased by approximately HK$22,000 (2011: increased by approximately HK$305,000). 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.

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group's bank balances and bank overdrafts (see note 26 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, amount due to a related party, finance leases and the liability component of convertible bonds (see notes 22, 24, 25 and 28 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.

Credit risk

As at 31st March 2012, 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.

As at 31st March 2012, the Group has no significant concentration of credit risk. As at 31st March 2011, the Group has significant concentration of credit risk as 75% of the total trade receivables was due from the Group's largest customer within the logistic services 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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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

	Weighted average interest rate	On demand	3 months or less	More than 3 months but within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2012							
Trade and other payables	**–**	**3,978**	**303**	**–**	**–**	**4,281**	**4,281**
Amounts due to related parties							
– non-interest bearing	**–**	**43,516**	**–**	**–**	**–**	**43,516**	**43,516**
Amount due to a related party							
– interest bearing	**4.00**	**–**	**–**	**7,330**	**–**	**7,330**	**7,094**
Amount due to a non-controlling							
shareholder of a subsidiary	**–**	**2,819**	**–**	**–**	**–**	**2,819**	**2,819**
Obligations under finance leases	**3.75**	**–**	**6**	**18**	**30**	**54**	**51**
Bank overdrafts	**5.75**	**1,342**	**–**	**–**	**–**	**1,342**	**1,342**
Convertible bonds (note)	**–**	**109,089**	**–**	**–**	**110,000**	**219,089**	**162,277**
		160,744	**309**	**7,348**	**110,030**	**278,431**	**221,380**
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

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.

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Sales of health and beauty products	**7,750**	6,918
Provision of beauty services	**2,555**	882
	10,305	7,800
Discontinued operation		
Provision of logistic services	**869**	731
	11,174	8,531

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 report 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

A segment regarding logistic services was discontinued following the disposal of a subsidiary in July 2011. Details of the discontinued operation are set out in note 17.

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Continuing operations						Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Total		Logistic services			
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue										
External sales	**10,305**	7,800	**–**	–	**10,305**	7,800	**869**	731	**11,174**	8,531
Segment loss	**(23,655)**	(25,280)	**(250,457)**	(18,415)	**(274,112)**	(43,695)	**(1,601)**	(1,153)	**(275,713)**	(44,848)
Unallocated income										
– Interest income					**5**	3	**1**	1	**6**	4
– Compensation income					**–**	10,000	**–**	–	**–**	10,000
– Other income					**792**	–	**–**	–	**792**	–
Unallocated expenses										
– Compensation expense on rescission of contract					**–**	(129,468)	**–**	–	**–**	(129,468)
– Central administration costs					**(9,304)**	(22,498)	**–**	27	**(9,304)**	(22,471)
– Finance costs					**(21,929)**	(20,907)	**–**	–	**(21,929)**	(20,907)
– Loss on disposal of a subsidiary					**–**	–	**(3,106)**	–	**(3,106)**	–
Loss before tax					**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)

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, other income, compensation expense on rescission of contract, loss on disposal of a subsidiary, 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:

	2012 HK$'000	2011 HK$'000
Segment assets		
Health and beauty products and services	**5,722**	8,878
Coal mining	**145,235**	391,746
Logistic services	**–**	6,754
Total segment assets	**150,957**	407,378
Other unallocated assets	**6,282**	9,268
Consolidated assets	**157,239**	416,646
Segment liabilities		
Health and beauty products and services	**51,592**	30,469
Coal mining	**2,475**	425
Logistic services	**–**	3,023
Total segment liabilities	**54,067**	33,917
Other unallocated liabilities	**176,563**	228,274
Consolidated liabilities	**230,630**	262,191

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

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

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Continuing operations								Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Unallocated		Total		Logistic services			
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:												
Capital expenditure	**1,053**	2,509	**1,084**	4,269	**11**	319	**2,148**	7,097	**179**	6,624	**2,327**	13,721
Depreciation	**1,808**	1,497	**176**	182	**344**	377	**2,328**	2,056	**555**	543	**2,883**	2,599
Impairment loss recognised in respect of trade and other receivables	**–**	–	**2,409**	1,300	**–**	–	**2,409**	1,300	**567**	–	**2,976**	1,300
Impairment loss on exploration and evaluation assets	**–**	–	**244,859**	–	**–**	–	**244,859**	–	**–**	–	**244,859**	–
Loss on disposal of property, plant and equipment	**479**	–	**–**	66	**–**	14	**479**	80	**29**	–	**508**	80
Write-down of inventories	**186**	–	**–**	–	**–**	–	**186**	–	**–**	–	**186**	–

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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong	**10,305**	7,800	**1,796**	3,425
PRC	**565**	534	**–**	–
Mongolia	**304**	197	**145,232**	397,768
	11,174	8,531	**147,028**	401,193

Information about major customer

Included in revenue arising from sales of health and beauty products and services of HK$10,305,000 (2011: HK$7,800,000) are revenue of approximately HK$1,945,000 (2011: HK$2,033,000) which arose from sales to the Group's largest customer. No other customers contributed over 10% revenue in both years.

10. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income	**5**	3	**1**	1	**6**	4
Compensation income (Note)	**–**	10,000	**–**	–	**–**	10,000
Recovery of bad debt	**131**	–	**–**	–	**131**	–
Waive of amount due to a related party	**792**	–	**–**	–	**792**	–
Others	**282**	292	**–**	–	**282**	292
	1,210	10,295	**1**	1	**1,211**	10,296

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 remaining 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 and 2012.

11. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on						
– bank overdrafts	**73**	16	**–**	–	**73**	16
– obligations under finance leases	**5**	8	**–**	–	**5**	8
– amount due to a related party	**144**	–	**–**	–	**144**	–
Effective interests expense on convertible bonds	**21,707**	20,883	**–**	–	**21,707**	20,883
	21,929	20,907	**–**	–	**21,929**	20,907

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:

	2012 HK$'000	2011 HK$'000
Loss before tax	**(309,254)**	(207,690)
Tax at Hong Kong Profits Tax rate of 16.5%	**(51,027)**	(34,268)
Tax effect of expenses not deductible for tax purpose	**45,409**	26,304
Tax effect of income not taxable for tax purpose	**(89)**	(2,019)
Tax effect of tax losses not recognised	**5,462**	10,223
Effect of different tax rate of subsidiaries operating in other jurisdictions	**245**	(240)
Tax expense for the year	**–**	–

Details of deferred taxation are set out in note 27.

13. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss for the year has been arrived at after charging (crediting):						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**16,308**	17,256	**594**	765	**16,902**	18,021
Retirement benefits scheme contributions	**574**	446	**–**	–	**574**	446
Equity-settled share-based payment expense (Note 31)	**–**	3,122	**–**	–	**–**	3,122
Total employee benefits expenses	**16,882**	20,824	**594**	765	**17,476**	21,589
Auditors' remuneration	**1,218**	1,217	**–**	9	**1,218**	1,226
Cost of inventories recognised as an expense	**2,513**	3,338	**–**	–	**2,513**	3,338
Write-down of inventories	**186**	–	**–**	–	**186**	–
Depreciation of property, plant and equipment	**2,328**	2,056	**555**	543	**2,883**	2,599
Loss on disposal of property, plant and equipment	**479**	80	**29**	–	**508**	80
Operating lease rentals in respect of rented premises	**8,808**	10,639	**49**	20	**8,857**	10,659
Impairment loss recognised in respect of trade and other receivables	**2,409**	1,300	**567**	–	**2,976**	1,300
Net exchange loss (gain)	**2,130**	(2,973)	**282**	(131)	**2,412**	(3,104)

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2011: Nil).

15. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) *Directors' emoluments*

The emoluments paid or payable to each of the 9 (2011: 14) directors of the Company were as follows:

2012

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Chen Yunfei (Note 1)	–	–	–	–
Kwok Wing Leung, Andy	–	–	–	–
Jin Langchuan (Note 2)	–	–	–	–
Sun David Lee	–	960	–	960
Non-executive director				
Yeung Ting Lap, Derek Emory	180	–	–	180
Independent non-executive directors				
Chiu Kam Hing, Kathy	60	–	–	60
Ho Man Kin, Tony	60	–	–	60
Li Kar Fai, Peter	120	–	–	120
Lu He (Note 1)	15	–	–	15
	435	960	–	1,395

Notes:

1. Mr. Chen and Ms. Lu resigned as directors of the Company on 30th June 2011.

2. Mr. Jin resigned as a director of the Company on 6th September 2011.

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

(a) Directors' emoluments (Continued)

2011

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
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 (Note 5)	–	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. Mr. Jin resigned as a director of the Company on 6th September 2011.

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

(b) Employees' emoluments

During the year, the five highest paid individuals included one director (2011: three directors), details of whose emoluments are set out in (a) above.

The emoluments of the remaining four (2011: two) individuals are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**3,012**	2,559
Retirement benefits scheme contributions	**99**	75
	3,111	2,634

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
Not exceeding HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	4	2

During the years ended 31st March 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals or any of the directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office. During the year ended 31st March 2012, emoluments amounting to HK$3,072,000 (2011: HK$3,514,000) was waived by the directors.

(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 is determined by the remuneration committee having regard to the performance of individuals and market trends.

16. LOSS PER SHARE

From continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(306,945)**	(207,064)

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,002,774,119**	1,667,630,060

The calculation of diluted loss per share for the year ended 31st March 2012 and 2011 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.

From continuing operations

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

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(306,945)**	(207,064)
Less: Loss for the year from discontinued operation attributable to owners of the Company	**(2,400)**	(574)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(304,545)**	(206,490)

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

16. LOSS PER SHARE *(Continued)*

From discontinued operation

Basic and diluted loss per share from discontinued operation is calculated based on the loss for the year from discontinued operation of HK$2,400,000 (2011: HK$574,000) and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

17. DISCONTINUED OPERATION

In July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in TTC&T LLC ("TTC&T"), which carried out the Group's logistic services business. The logistic services segment was discontinued upon the completion of disposal of TTC&T on 31st July 2011. Details of the assets and liabilities disposed of and the calculation of the loss on disposal are set out in note 30.

The loss for the year from the discontinued operation is analysed as follows:

	2012 HK$'000	2011 HK$'000
Loss from logistic services business for the year	**(1,600)**	(1,125)
Loss on disposal of a subsidiary (note 30)	**(3,106)**	–
	(4,706)	(1,125)

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

	2012 HK$'000	2011 HK$'000
Net cash from operating activities	**276**	3,998
Net cash used in investing activities	**(464)**	(6,624)
Net cash from financing activities	**16**	2,813
Net cash (outflows) inflows	**(172)**	187

18. 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 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
Exchange realignment	**(15)**	**–**	**(23)**	**(331)**	**(369)**
Additions	**175**	**779**	**171**	**166**	**1,291**
Disposals	**(201)**	**(2,058)**	**(65)**	**–**	**(2,324)**
Disposal of a subsidiary	**(167)**	**–**	**(7)**	**(6,298)**	**(6,472)**
At 31st March 2012	**1,239**	**3,511**	**1,559**	**421**	**6,730**
DEPRECIATION					
At 1st April 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
Exchange realignment	**(4)**	**–**	**(17)**	**(52)**	**(73)**
Provided for the year	**226**	**1,727**	**304**	**626**	**2,883**
Eliminated on disposals	**(143)**	**(1,612)**	**(32)**	**–**	**(1,787)**
Eliminated on disposal of a subsidiary	**(20)**	**–**	**(1)**	**(1,060)**	**(1,081)**
At 31st March 2012	**734**	**2,402**	**1,313**	**253**	**4,702**
CARRYING VALUES					
At 31st March 2012	**505**	**1,109**	**246**	**168**	**2,028**
At 31st March 2011	772	2,503	424	6,145	9,844

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

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

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 2012, the carrying value of the Group's office equipment included an amount of approximately HK$63,000 (2011: HK$113,000) in respect of assets held under finance leases.

19. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
At 1st April 2010	383,828
Additions of exploration and evaluation works during the year	4,254
Exchange realignment	3,267
At 31st March 2011	391,349
Additions of exploration and evaluation works during the year	**1,036**
Impairment loss	**(244,859)**
Exchange realignment	**(2,526)**
At 31st March 2012	**145,000**

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.

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.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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 28.

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. During the current year the SMI Technical Assessment has not been delivered. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended and is still under negotiation with the vendor at the date of approval of these consolidated financial statements.

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 2012, the Group had incurred an amount of approximately HK$1,036,000 (2011: HK$4,254,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including groundwater geophysical 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.

As a result of cash constraint, during the current year, the management decided to suspend further exploration work until the Group has sufficient funding for the operation. This change has a significant impact on the related expected future cashflow from mining operation, therefore the management have assessed the impairment of the exploration and evaluation assets.

An impairment loss of HK$244,859,000 was recognised during the year ended 31st March 2012. The recoverable amount of the exploration and evaluation assets have been arrived at based on a valuation carried out by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to similar market prices for similar assets in the similar locations and conditions.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

GF Acquisition (Continued)

In 2009, the Parliament of Mongolia enacted the Mining Prohibition Law (the "MPL") which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes (the "Defined Prohibited Areas"). Pursuant to the MPL, the Mongolian government was supposed to define the boundaries of the relevant prohibited areas by 16th October 2009 but it had not done so by the prescribed time. It also states that any previously granted licenses that overlap the Defined Prohibited Areas will be terminated within five months following the enactment of the law.

The MPL further states that affected license holders shall be compensated but details as to how the compensation is determined have not been specified in the MPL and the Mongolian government has not yet released any further guidance on how to interpret the MPL. The Mineral Resources Authority of Mongolia (the "MRAM") has prepared a preliminary list of licences that overlap with the Defined Prohibited Areas under the MPL.

Subsequent to the end of the reporting period, legal counsel of SMI has been confirmed two mining rights are within the area designated, on a preliminary basis, as land where mineral exploration and mining are prohibited under the MPL. However, there has been no revocation of these licenses as at 31st March 2012 and the date of approval of the consolidated financial statements. The management also considers that even if the licenses were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no further impairment on the mining rights apart from the impairment loss recognised as mentioned above. However, the implementation of the MPL represents a significant uncertainty to the Group, which might have a significant effect on the consolidated financial statements of the Group. If the Group's affected mining concessions were revoked due to the MPL and the Group was paid with compensation significantly less than the carrying amount of the exploration and evaluation assets, the Group would incur a significant impairment loss on the exploration and evaluation assets.

PF Acquisition

During the year ended 31st March 2011, all the conditions of 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.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

PF Acquisition (Continued)

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 person 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 Mineral 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 28.

20. PREPAYMENTS

As explained in note 19, 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 was recognised in profit or loss for the year ended 31st March 2011.

21. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**215**	708
Other receivables, deposits and prepayments	**2,661**	5,523
	2,876	6,231

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:

	2012 HK$'000	2011 HK$'000
0 to 90 days	**215**	708

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 2012, 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$Nil (2011: HK$306,000) 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.

22. 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 0.30% (2011: 0.01% to 0.10%) 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% (2011: 0.001% to 0.05%) 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 2012	**5**	**1,270**	**1,275**
At 31st March 2011	10	1,420	1,430

23. 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:

	2012 HK$'000	2011 HK$'000
Trade payables:		
0 to 90 days	**2,073**	3,577
91 to 180 days	**–**	1,780
181 to 365 days	**1,815**	–
Over 365 days	**291**	523
	4,179	5,880
Deposits received from customers	**2,465**	2,383
Accrued charges	**4,376**	5,216
Other payables (Note)	**2,511**	1,258
	13,531	14,737

Note: During the year ended 31st March 2012, a tax inspection was made to a subsidiary of the Group in Mongolia covering a period from 2007 to 2010. A tax assessment letter was issued to that subsidiary amounted MNT409,251,000 (equivalent to approximately HK$2,409,000) regarding the withholding tax for purchasing mining rights which was taken place before that subsidiary became a member of the Group. That subsidiary is currently appealing to the Mongolian tax department and not yet concluded up to the date of approval of these financial statements. The Group recorded this withholding tax payment as liability and assumed the amount to be receivable from the former holders of the mining rights. However, in the opinion of the directors, the recoverability of this amount from the former holders of the mining rights is uncertain, accordingly, the impairment of full amount has been recognised.

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 2012	**34**	**89**	**94**	**217**
As at 31st March 2011	379	156	100	635

24. AMOUNTS DUE TO RELATED PARTIES/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	Notes	2012 HK$'000	2011 HK$'000
Mr. Chen Yunfei	(i), (iii)	–	904
Mr. Sun David Lee	(i)	400	284
Mr. Kwok Wing Leung, Andy	(i)	43,116	19,580
CEC Resources and Minerals Holdings Limited	(ii)	7,094	–
Amounts due to related parties		50,610	20,768
Amount due to a non-controlling shareholder of a subsidiary	(iv)	2,819	2,812

Notes:

(i) The amounts represented amounts due to directors/former director of the Company. The amounts are unsecured, interest-free and repayable on demand.

(ii) The amount represented amount due to the substantial shareholder of the Company. The amount is unsecured, carries interest at 4% per annum and shall be repaid in full on maturity date, i.e. three months from the first drawdown date, unless extended by CEC Resources and Minerals Holdings Limited at its sole discretion. The maturity date is extended to 12th January 2013.

(iii) During the year ended 31st March 2012, the amount due to Mr. Chen Yunfei of HK$792,000 was waived by Mr. Chen and credit to other income in the consolidated statement of comprehensive income.

(iv) The amount is unsecured, interest-free and repayable on demand.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**24**	36	**22**	30
In more than one year but not more than two years	**24**	35	**23**	32
In more than two years but not more than five years	**6**	40	**6**	39
	54	111	**51**	101
Less: Future finance charges	**(3)**	(10)	**N/A**	N/A
Present value of lease obligations	**51**	101	**51**	101
Less: Amounts due within one year shown under current liabilities			**(22)**	(30)
Amounts due after one year			**29**	71

The lease terms is five years. The effective borrowing rate is 3.75% (2011: 3.75% to 13.9%) per annum. Interest rate underlying the obligations under finance leases is fixed at the contract dates. The lease is 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.

26. SECURED BANK OVERDRAFTS

The bank overdrafts carried interest ranging at prime rate (as quoted by the bank) plus 0.5% per annum. The effective interest rate was 5.75% (2011: 5.75%) per annum.

27. 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 2010	9	(9)	–
(Credit) charge for the year	(9)	9	–
At 31st March 2011 and 31st March 2012	–	–	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$119 million (2011: HK$119 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. At 31st March 2012, included in unrecognised tax losses are losses of HK$3,937,000 (2011: HK$8,901,000) that will expire in 2012 to 2014 (2011: 2011 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.

28. 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 19.

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 Agreement. Details of these are set out in note 19.

28. 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 bond into shares of HK$0.10 each in the share capital of the Company at any time during the period commencing from the date immediately following the date of issue of the convertible 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 2012 and 31st March 2011.

Subject to the aforesaid, the Company has the right to either require the holders of the GF Convertible Bonds and the Termination Convertible Bonds to mandatorily convert any convertible bond 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 bonds into shares.

The GF Convertible Bonds and the 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.

28. CONVERTIBLE BONDS *(Continued)*

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

	2012 HK$'000	2011 HK$'000
At the beginning of the year	**222,442**	138,203
Issue of the Termination Convertible Bonds	**–**	63,356
Effective interest expenses charged for the year	**21,707**	20,883
Converted during the year	**(81,872)**	–
At the end of the year	**162,277**	222,442
Less: Amount included in current liabilities	**(90,876)**	(158,501)
Amount due after one year	**71,401**	63,941

On 16th June 2011 and 5th July 2011, an aggregate principal sum of approximately HK$52,000,000 and HK$57,133,000 of the GF Convertible Bonds was converted by the bond holder respectively, details of which are set out in note 29.

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

29. SHARE CAPITAL

		Authorised		Issued and fully paid	
		Number of shares	Nominal value	Number of shares	Nominal value
	Notes		HK$'000		HK$'000
Ordinary shares of HK$0.10 each:					
At 1st April 2010		30,000,000,000	3,000,000	1,661,922,800	166,192
Issue of shares upon exercise of share options	(i)	–	–	6,830,000	683
At 31st March 2011		30,000,000,000	3,000,000	1,668,752,800	166,875
Issue of shares upon conversion of convertible bonds	**(ii)**	**–**	**–**	**436,530,638**	**43,653**
At 31st March 2012		**30,000,000,000**	**3,000,000**	**2,105,283,438**	**210,528**

Notes:

(i) 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.

(ii) On 16th June 2011 and 5th July 2011, GF Convertible Bonds with principal amount of approximately HK$52,000,000 and HK$57,133,000 were converted into 208,000,000 and 228,530,638 ordinary shares of HK$0.10 each of the Company, respectively, at the conversion price of HK$0.25 per share. The new shares rank pari passu with all other shares in issue in all respects.

30. DISPOSAL OF A SUBSIDIARY

As details in note 17, the Group discontinued its logistic services operation at the time of disposal of its subsidiary, TTC&T in July 2011. The net liabilities of TTC&T at the date of disposal were as follows:

Consideration received

	HK$'000
Cash received	2,000

Analysis of assets and liabilities over which control was lost

	HK$'000
Property, plant and equipment	5,391
Trade and other receivables	81
Bank balances and cash	286
Trade and other payables and accrued charges	(619)
Balance with a group company	(6,720)
Net liabilities disposed of	(1,581)

Loss on disposal of a subsidiary

	HK$'000
Consideration received	2,000
Net liabilities disposed of	1,581
Balance with a group company waived	(6,720)
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	33
Loss on disposal of a subsidiary	(3,106)

The loss on disposal is included in the loss for the year from discontinued operation in the consolidated statement of comprehensive income.

Net cash inflow on disposal of a subsidiary

	HK$'000
Net cash inflow arising from disposal:	
Consideration received in cash	2,000
Less: bank balances and cash disposed of	(286)
	1,714

The impart of TTC&T on the Group's results and cash flows in the current and prior period were set out in note 17.

31. 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.

31. 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 2012 and 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	Lapsed during the year	At 31st March 2012
Directors	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	10,000,000	–	–	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	(2,000,000)	29,000,000
	2007	18th October 2010	N/A	18th October 2010 to 17th October 2020	0.275	–	10,000,000	–	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	–	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	–	170,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	–	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	(3,000,000)	4,000,000
	2007	1st December 2010	N/A	1st December 2010 to 30 November 2020	0.250	–	1,300,000	–	1,300,000	(300,000)	1,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	–	–	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	–	18,060,000
						47,452,320	49,300,000	(6,830,000)	89,922,320	(25,300,000)	64,622,320
Exercisable at end of the year									89,922,320		64,622,320
						HK$	HK$	HK$	HK$	HK$	HK$
Weighted average exercise price						0.270	0.217	0.270	0.241	0.270	0.229

In respect of the share options exercised during the year ended 31st March 2011, the weighted average share price at the dates of exercise was HK$0.28.

31. 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 as expenses in relation to the share options granted by the Company to the Group's directors and employees and shown as staff costs. No such expenses were recognised during the year ended 31st March 2012.

32. 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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**3,438**	9,996
In the second to fifth year inclusive	**1,642**	3,586
	5,080	13,582

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

33. 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 schemes is to make the required contributions under the schemes.

34. 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:

	2012	2011
	HK$'000	HK$'000
Property, plant and equipment	**63**	113
Bank deposits	**1,723**	1,720
	1,786	1,833

35. 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 24.

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

36. CAPITAL COMMITMENTS

The capital commitments of the Group as at 31st March 2012 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$109,000 (2011: HK$251,000).

There were no capital commitment in respect of the exploration work to be performed authorised but not contracted for as at 31st March 2012 and 31st March 2011.

36. 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 total consideration for the GF acquisition can be up to the maximum of RMB760 million. The contingent consideration for the GF acquisition is approximately RMB481.6 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 19 and for procuring the completion of the acquisitions in accordance with the agreements.

As set out in the service agreement, the Company would issue and allot to Mr. Yeung new shares based on certain specific formula upon occurrence of each of the events: (i) the completion of the GF acquisition; (ii) the payment by the Company the 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 (iii) 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 19. 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.

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2012 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of issued share capital held by the Company indirectly		Principal activities
			2012	2011	
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
SMI LLC	Mongolia	10,000 common shares of Mongolia Tögrög 1,200 each	100%	100%	Coal mining

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

38. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The summarised statement of financial position of the Company as at 31st March 2012 and 2011 is as follows:

	2012 HK$'000	2011 HK$'000
Total assets	124,751	403,599
Total liabilities	(171,661)	(226,268)
	(46,910)	177,331
Share capital	210,528	166,875
Reserves	(257,438)	10,456
Total equity	(46,910)	177,331

Loss for the year of the Company amounted to approximately HK$306,114,000 (2011: HK$183,850,000).

RESULTS

	For the year ended 31st March				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
REVENUE	**11,174**	8,531	6,866	16,411	50,759
LOSS BEFORE TAXATION	**(309,254)**	(207,690)	(76,389)	(35,466)	(28,978)
TAXATION	**–**	–	–	390	430
LOSS FOR THE YEAR	**(309,254)**	(207,690)	(76,389)	(35,076)	(28,548)
Loss for the year attributable to:					
Owners of the Company	**(306,945)**	(207,064)	(76,245)	(35,076)	(28,540)
Non-controlling interests	**(2,309)**	(626)	(144)	–	(8)
	(309,254)	(207,690)	(76,389)	(35,076)	(28,548)

ASSETS AND LIABILITIES

	At 31st March				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
TOTAL ASSETS	**157,239**	416,646	439,035	495,745	57,619
TOTAL LIABILITIES	**(230,630)**	(262,191)	(147,667)	(131,227)	(24,042)
NET (LIABILITIES) ASSETS	**(73,391)**	154,455	291,368	364,518	33,577