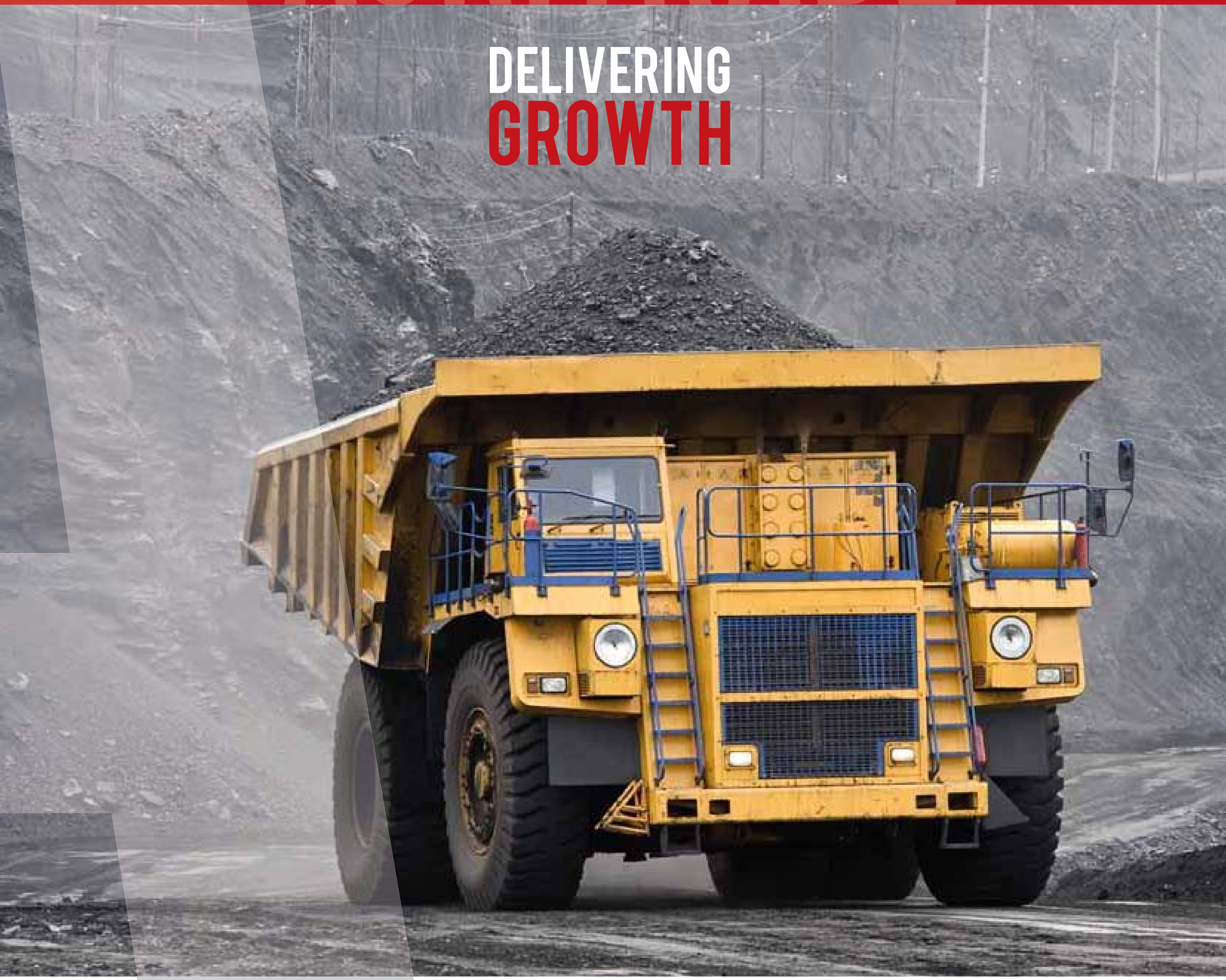
AGRITRADE

DELIVERING GROWTH



ANNUAL REPORT **2012**

鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 1131.HK)

CONTENTS

AGRITRADE RESOURCES LIMITED IS THE OWNER AND OPERATOR OF PT SENAMAS ENERGINDO MINERAL, A

2,000 HA

COAL MINE IN CENTRAL KALIMANTAN, INDONESIA.

CORPORATE PROFILE

Agritrade Resources Limited ("Agritrade Resources" or "the Company") is the owner and operator of PT Senamas Energindo Mineral ("SEM"), a 2,000-hectare coal mine in Central Kalimantan, Indonesia.

Produced and sold under our own brand, SEM coal is a sub-bituminous, low-sulphur, low-pollutant thermal coal with a calorific value (as-received basis) of approximately 3,700 kcal/kg in its raw form.

Together with our subsidiaries, the Company provides integrated supply chain solutions from pit to port, including coal origination, processing and logistics services. The Company is currently applying the use of coal upgrading technology to process and produce higher quality, greater efficiency and cleaner burning coal.

Agritrade Resources is one of the few Indonesian coal mining companies to be listed on the Stock Exchange of Hong Kong Limited ("the Stock Exchange").

Backed by efficient mining processes and large mineable reserves of 70.7 million tonnes, we are on track for

6 MILLION TONNES

of annual production capacity by 2014/2015 with huge potential for further growth

UILDING FOR THE FUTURE

DEAR SHAREHOLDERS,

On behalf of Agritrade Resources Limited, I am pleased to update you on our key developments in the past financial year and achievements to date.

INCREASED PRODUCTION

Since operations commenced in 2010, our coal production capacity is now running at 2.5 million tonnes per annum. This quick ramp-up is now feeding into our financial results, with revenue from coal production increasing 488% year-on-year from HK$72.7 million in the financial year ended 31 March 2011 ("FY 2011") to HK$427.2 million in the financial year ended 31 March 2012 ("FY 2012"). Backed by efficient mining processes and large mineable reserves of 70.7 million tonnes, we are on track for 6 million tonnes of annual production capacity by 2014/2015 with huge potential for further growth.

RISING REVENUES

The Company has recorded an impressive increase in revenue and gross profit from continuing operations due to the significant ramp-up in production capacity, with revenue rising by 143.7% from HK$216.6 million in FY2011 to HK$527.9 million in FY2012. Gross profit also jumped 527.5% year-on-year from HK$16.5 million to HK$103.7 million. Gross profit margin rose 12 percentage points to 19.6%, enabled by economies of scale from the increase in coal production.

STRATEGIC DEVELOPMENT

Research and development plays a key role at the heart of the Company, and our SEM coal is now well respected in the market for its quality and consistency. We are focused on continually improving the quality of SEM coal and our pioneering coal upgrading plant will see us make great strides in this aspect in the coming year.

The Company also continues to make our mark by investing in first class infrastructure to drive capacity, and strengthening our network of customers across the region. We have built a business with strong foundations supported by our pit-to-port integrated supply chain solutions: from coal origination, processing and logistics to delivery and distribution, each aspect of the Company is geared towards maximising efficiency and reducing cost. We believe this strategy will position us for tremendous growth ahead.

CEO'S STATEMENT

Since operations commenced in 2010, our coal production capacity is now running at

2.5 MILLION TONNES

per annum.

OUTLOOK

With the rapid expansion of industrial development, the growth in demand for thermal coal for power generation will remain robust, particularly in China, India and Indonesia. As energy consumption continues its shift towards a more environmentally sustainable model, the Company is working hard to ensure that our low-pollutant, low-sulphur coal plays a key role in the future of energy.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to the Directors, the management team, staff members, customers, suppliers, business partners, bankers and shareholders for their support and contribution to the Company over the years. I look forward to updating you further on our progress and I thank you for your continued support.

With Warm Regards,

Rashid Bin Maidin
Chief Executive Officer
Agritrade Resources Limited

Executive Directors

RASHID BIN MAIDIN
Chief Executive Officer and Executive Director
Mr. Rashid, aged 39, Singaporean, was appointed Chief Executive Officer and Executive Director of the Company in 2010, and is also Chairman of the Executive Committee.

He is responsible for the overall management of the Company, with a focus on strengthening the fundamentals of the business and driving new business development.

Mr. Rashid started building his extensive experience in the coal, timber and maritime industries in Asia and the Middle East in 1991. He has held several key leadership positions in various companies.

Mr. Rashid is the founder and the group executive chairman of WSJ International Group ("WSJ Group"), a Malaysia-based group which has been focusing on the trading of commodities and logistics support since 1991. For the past 20 years, he actively oversaw and managed the operations of WSJ Group, where he gained considerable experience running coal mines and other commodities operations in Singapore, Malaysia and Indonesia. Mr. Rashid is a director of PT. Rimau Indonesia ("PTRI"), an indirect non-wholly owned subsidiary of the Company.

NG XINWEI
Chief Operating Officer and Executive Director
Mr. Ng, aged 26, Singaporean, is the Chief Operating Officer and Executive Director of the Company. He is also a member of the Executive Committee.

Mr. Ng is the son of Mr. Ng Say Pek, founder and managing director of Agritrade International Pte Ltd ("AIPL"), a substantial shareholder of the Company. He joined AIPL in 2004 to deepen his expertise in the trading operations of palm oil and coal, shipping logistics management and commodities-related investments. Mr. Ng is also a director of Rimau Shipping Pte Limited ("Rimau Shipping"), a wholly-owned subsidiary of the Company, and a director of PTRI. Mr. Ng is in charge of managing all operational aspects of the Company's coal mining business and charting the Company's future strategy. He is also responsible for investor relations and corporate communications.

SHIU SHU MING
Chief Financial Officer and Executive Director
Mr. Shiu, aged 42, is the Chief Financial Officer and was appointed Executive Director of the Company in November 2010. Mr. Shiu is also a member of the Executive, Remuneration and Nomination Committees.

He has executive responsibility for the Company's financial and accounting functions, including risk management, accounting, financial reporting, tax, strategic and financial planning, forecasting, capital management and budgeting.

Mr. Shiu has more than 15 years of experience in corporate finance, mergers and acquisitions, initial public offerings and fund raising exercises. He has worked with private entities, China state owned enterprises and publicly listed companies in Hong Kong, People's Republic of China (the "PRC"), Malaysia, Singapore and Indonesia. He is the responsible officer of Grand Vinco Capital Limited, a wholly owned subsidiary of Vinco Financial Group Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. From 2008 to August 2010, he was also the head of corporate finance and the responsible officer of South China Financial Holdings Limited, a company listed on the Stock Exchange.

Mr. Shiu holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a member of the Association of Chartered Certified Accountants. He is also a licensed person registered under the Securities and Futures Ordinance of Hong Kong with the capacity to carry out regulated activities on corporate finance advisory.

LIM BENG KIM LULU
Executive Director
Ms. Lim, aged 52, Singaporean, is the General Manager of Agritrade International Pte Ltd and is a member of the Executive Committee.

Ms. Lim has over 30 years of experience in accounting and financial management, and is actively involved in the accounting and financial aspects of the Company.

Ms. Lim graduated with a Bachelor's Degree in Business Administration from the National University of Singapore.

LI MAN CHING
Executive Director
Mr. Li, aged 53, is a co-founder of the Group. He is responsible for the business development and policy making of the textile division of the Group, with primary focus on overseas marketing and sales promotion. He has over 20 years of experience in the textile industry in the areas of sales and production.

BOARD OF DIRECTORS

left to right
NG XINWEI
LIM BENG KIM LULU
RASHID BIN MAIDIN
SHIU SHU MING

LI MEI LIN
Executive Director
Ms. Li, aged 52, is a co-founder of the Group. She is responsible for the administration and management of the textile division of the Group. She has over 10 years of experience in the textile industry. Ms. Li is the younger sister of Mr. Li Man Ching.

Non-Executive Director

CHEN CHOU MEI MEI
Non-Executive Director
Mrs. Chen, aged 63, graduated with a Bachelor of Arts Degree from the University of Colorado in the United States of America and has over 30 years of experience in investments, particularly property related investments. Mrs. Chen is an executive director of Winsor Properties Holdings Limited, a company listed on the Stock Exchange and an independent non-executive director of Bingo Group Holdings Limited, a company listed on the GEM of the Stock Exchange.

Independent Non-Executive Directors

CHONG LEE CHANG
Independent Non-Executive Director
Mr. Chong, aged 53, Malaysian, is an independent non-executive director and chairman of the Nomination Committee and a member of the Audit Committee.

Mr. Chong has more than 25 years of experience in legal practice in Malaysia and is a senior partner of a Kuala Lumpur-based law firm, Messrs. LC Chong & Co. His legal experience included advising various companies from Asia and the United Kingdom.

Mr. Chong currently holds directorship at CVM Minerals Limited, a company listed on the Stock Exchange, as an independent non-executive director, and Bingo Group Holdings Limited, a company listed on GEM of the Stock Exchange, as a non-executive director. Mr. Chong is also the managing director of Guangxi Xin Wei Hotel Management Co., Ltd a private foreign investment company in the PRC which owns the Naning Marriott Hotel.

Mr. Chong has also served as an executive director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia and also held directorship in Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-up. He was an independent non-executive director of EITA Resources Berhad, a public company listed on the main board of Bursa Malaysia and he was the executive director of Seven Eleven Convenience stores in Malaysia from 2000 to 2002. From May 2005 to February 2009, Mr. Chong served as a non-executive director of Midwest Corporation Limited, a public company that was previously listed on the Australian Stock Exchange, and is engaged in mining, exploring and processing iron ore.

Mr. Chong graduated with a Bachelor of Arts (Honours) degree in Law from the Manchester Metropolitan University in 1982. He was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a barrister of law in 1983. In 1984, he was admitted as an advocate and solicitor of the High Court of Malaya and holds a legal practising certificate to practice law in Malaysia.

CHAN CHEONG YEE
Independent Non-Executive Director
Mr. Chan, aged 48, is an independent non-executive director and chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Chan has been in the financial and investment field for 20 years, and is currently the sales director and responsible officer of China Everbright Securities (HK) Limited. He is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations.

Mr. Chan also holds directorships at China Innovation Investment Limited, China Investment and Finance Group Limited and China Investment Development Limited which are investment companies listed on the Stock Exchange and Bingo Group Holdings Limited, a company listed on GEM.

Mr. Chan holds a Bachelor of Science degree majoring in Finance. He is also a registered and licensed person under the Securities and Futures Ordinance to carry out regulated activities in dealing with securities, advising on securities, dealing in futures contracts and undertaking asset management.

SIU KIN WAI
Independent Non-Executive Director
Mr. Siu, aged 43, is an independent non-executive director and chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

Mr. Siu has extensive experience in financial management and corporate advisory and assurance. He is an executive director in Beijing Properties (Holdings) Limited, a company listed on the Stock Exchange. Mr. Siu was previously an executive director, chief financial officer and company secretary of China Technology Development Group Corporation, a company listed on the NASDAQ.

Mr. Siu graduated from the City University of Hong Kong with a Bachelors degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales.

MANAGEMENT TEAM

PETER GUNN
Chief Technical Officer

Mr. Gunn, aged 60, is the Chief Technical Officer of the Company. He is instrumental in providing technical expertise in the areas of coal geology and coal mining.

Mr. Gunn is a seasoned coal professional specialising in the areas of coal geology and marketing. He has over 30 years of international experience in the coal industry. In addition to his extensive experience in Indonesia, Mr. Gunn has worked in New Zealand, Australia, Indonesia, USA, Canada, Russia, Ukraine, Kazakhstan, Czech Republic, India, China and Vietnam. He has wide experience in improving coal quality and defining coking coals from areas thought to contain only thermal coal.

Mr. Gunn is a member of the Australasian Institute of Mining and Metallurgy and has the appropriate qualifications, experience and independence to satisfy the requirements of a Competent Person under the JORC Code.

Mr. Gunn holds a Bachelor's Degree in Geology from the University of Otago, a Post Graduate Diploma in Science from the University of Otago and a Post Graduate Diploma in Coal Geology from the University of Wollongong.

CHAN CHI FAI DAVID
Financial Controller and Company Secretary

Mr. Chan, aged 47, has been appointed as the financial controller and company secretary of the Company since 2010. He has held directorships in a number of subsidiaries of the Company.

Mr. Chan has over 20 years of experience in financial management, corporate advisory and assurance.

Mr. Chan obtained a Master of Business Administration degree from the University of Manchester and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

STEVE LUO
General Manager

Mr. Luo, aged 34, joined the Company in 2010 with over 8 years of experience in logistics management and large-scale operations execution.

As a former Army Captain in the Singapore Armed Forces, Mr. Luo is experienced in leading and managing people from different walks of life and nationalities. Mr. Luo works closely with the Board of Directors, and is actively involved in the day-to-day management of the Company.

Mr. Luo holds a Bachelor of Science (Honors) degree in Banking and Finance from the University of London.

DIYAH SASANTI
Legal Counsel

Ms. Sasanti, aged 46, joined the Company in 2010 with more than 20 years of experience in Corporate and Capital Markets law in Indonesia.

Ms. Sasanti had extensive experience in corporate secretarial and advisory roles in various companies, serving as Director - Corporate Secretary of PT. Darmex Agro; Advisor of PT Total Sinergy International, PT Rimau Indonesia and PT Pembangunan Perumahan Tbk; Associate Director & Corporate Secretary of PT Lippo E Net Tbk; Director of PT Asuransi Jiwa Lippo Utama; Corporate Secretary & Legal Department Head of PT Lippo Life Tbk, and Corporate Secretary Staff PT Lippo Bank Tbk.

Ms. Sasanti holds a Masters in Business Law from the Faculty of Law, University of Padjadjaran, Masters in Business Administration from Newport University, California, United States, and Bachelor of Law from Jember University.

DONNY PRANOTO
Group Advisor

Mr. Donny Pranoto, aged 54, was appointed as Group Advisor of SEM, an indirect wholly-owned subsidiary of the Company, in 2010.

Mr. Donny completed his double degree in Accounting, and Banking & Finance at the Philippines School of Business Administration, Manila, Philippines in 1982, and then joined SGV Group Manila as a Junior Auditor. After which, he joined Lippo Group, before migrating to New York in 1984 to join Chemical Bank New York as Senior Vice President, a post he held until 1987.

During his time as a banker at Chemical Bank, Mr. Donny established a small brokerage firm in Jersey City, New Jersey, USA, engaging in stock and currency trading, which later became R. Moss & Co., a licensed brokerage at the New York Stock Exchange.

In 1987, Mr. Donny joined Bank Central Asia New York to head the Operations department as Executive Vice President. In 1994, he returned to Indonesia to lead an IPO team as Executive Director at Perdana Finance.

SUKA WALUYA
Head of Mining Operations

Mr. Waluya, aged 50, is the Head of Mining Operations of SEM. Mr. Waluya is responsible for overseeing the day-to-day mining operations and mine planning for PT SEM. He supervises a team of geologists and works closely with the local community as well as the relevant authorities to ensure smooth daily operations.

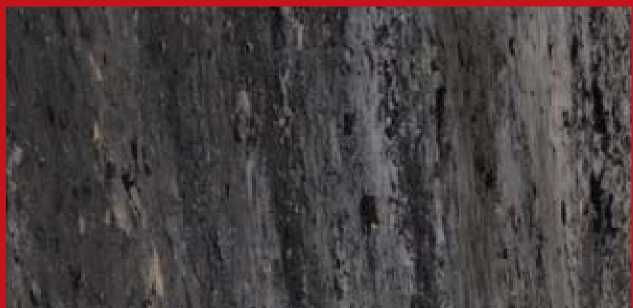
Mr. Waluya is a seasoned coal professional, specialising in the areas of coal geology and mining. He has over 10 years of experience in the Indonesian coal mining industry. In addition to his extensive experience at PT SEM, Mr. Waluya has previously worked at PT. Antasari Raya as Quarry Mining Manager, PT. Wirabuana Prajaraya as Site Manager of Coal Mining Project and Project Manager of Tin-sand Mining Project, and PT. Rimineco as Senior Mining Engineer of Geological and Mining Services.

Mr. Waluya holds a Bachelor's Degree in Mining from Universitas Pembangunan Nasional "Veteran" Yogyakarta (1990).

Our company strongly believes in the philosophy of

GIVING BACK TO THE COMMUNITY

and we are constantly looking to improve the lives of people in our operating area



NVIRONMENTALLY RESPONSIBLE

OUR PRODUCT AND INTEGRATED SUPPLY CHAIN

OUR COAL MINE

Agritrade Resources engages in surface mining at our SEM coal mine in Central Kalimantan, Indonesia, producing low-pollutant, low-sulphur thermal coal.

Currently, only 1,200 hectares, or 60% of our 2,000 hectares concession has been explored and is under JORC review by Associated Geosciences Limited. There is an estimated 70.7 million tonnes of reserves and 105 million tonnes of resources as at June 2012. Based on this exploration data, management prudently estimates at least 100 million tonnes of reserves for our entire concession of 2,000 hectares.

Besides a readily available supply of coal and high coal reserves, one of the key strengths of our SEM mine are its low strip ratios which represent the weight of overburden that can be profitably removed to obtain a unit amount of coal. This translates into lower mining costs and higher potential profitability for the Company.

The relative ease of increasing production capacity has also resulted in a significant increase in coal production capacity at our mine since operations commenced in 2010. Within two years of operations, our production capacity has increased to approximately 2.5 million tonnes of coal per annum, and is on track to triple to approximately 6 million tonnes by 2014/2015.

With rising global demand for lower-rank coal, as power plants seek to control operating costs in view of escalating energy prices, Agritrade Resources is well-poised to capture this growth upside with energy-efficient, cleaner burning coal in an environmentally responsible manner.

Management prudently estimates at least

100 MILLION TONNES

of reserves for our entire
concession of 2,000 hectares


HYUNDAI

DID YOU KNOW?

WHAT DOES MEETING JORC STANDARDS MEAN?

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves was published in 2004 by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

It sets out the minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

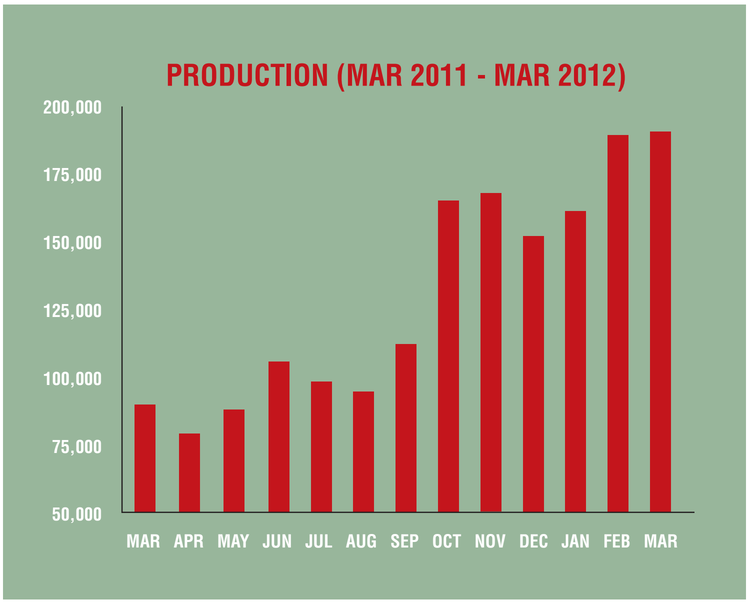
MEETING JORC STANDARDS MEANS:

- Reserves and Resources are in the ground as reported
- Quality of the coal has been estimated to an acceptable standard
- Risks associated with developing a JORC compliant resource are reduced compared with a non-JORC compliant resource.

COAL RESERVES AND PRODUCTION

The term coal reserves represents the amount of measured or indicated coal resources that could be economically mined from an area.

Our SEM mine is estimated to contain 70.7 million tonnes of reserves as at June 2012 and is under JORC review by independent coal consulting authority Associated Geosciences Limited. Based on this exploration data, management prudently estimates at least 100 million tonnes of reserves for our entire concession of 2,000 hectares.

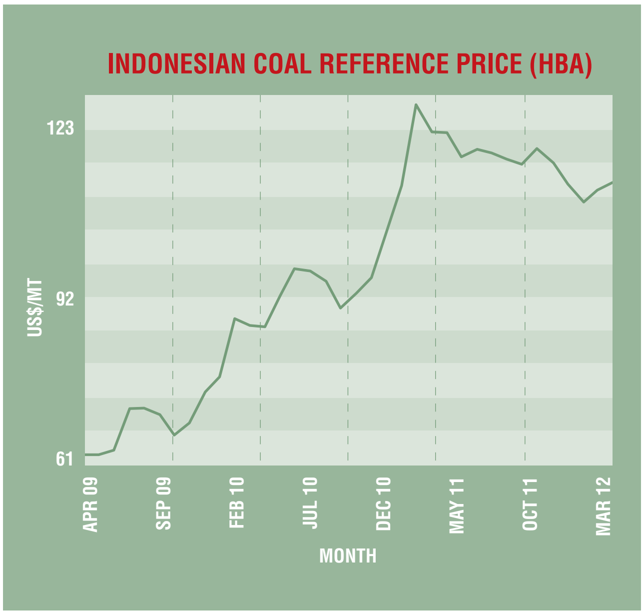


We have significantly increased coal production since commencing operations in 2010, growing our production capacity from 300,400 tonnes in FY2011 to 1.58 million tonnes in FY2012. Based on improved monthly production capacity for FY2012 of between 150,000 and 200,000 tonnes, management estimates annual production capacity to reach up to 2.5 million tonnes over the next 12 months.

In addition to our existing pit, we launched our second pit in 3Q FY2011 and our third pit in 1Q FY2012, which have low strip ratios. In 4Q FY2011, we began mining at our second pit, which has contributed to a higher monthly production rate of 180,000 tonnes since February 2012. It is expected that the production capacity of SEM will continue to increase steadily.

OUR PRODUCT

- Low-sulphur, low-pollutant thermal, sub-bituminous coal
- Our proprietary brand of coal, SEM coal, has gross calorific value of 3,700 kcal/kg (as received basis) in its raw form
- We sell SEM coal to domestic traders and power generation plants in Indonesia, and also serve major international markets such as China and India
- We are observing growing pockets of untapped demand for such ranks of coal, in line with rising energy costs and as power plants seek to manage cost structures all over the world, particularly in developing markets such as China, India and Thailand
- Since 2009, SEM coal has experienced stable price increases following increased market recognition and demand



PROPERTIES OF SEM COAL

Parameters	Specifications
Total Moisture (arb)	38-42%
Inherent Moisture (adb)	13-16%
Ash Content (adb)	4-6%
Total Sulphur (adb)	0.1-0.3%
Volatile Matter (adb)	37-43%
Fixed Carbon (adb)	37-41%
Nitrogen (daf)	0.8-0.9%
Calorific Value (CV) (gar)	3,600 to 3,800 kcal/kg
Calorific Value (CV) (adb)	5,300 to 5,500 kcal/kg
Hardgrove Grindability Index (HGI)	>50

DID YOU KNOW?

- SEM coal's ash content of 4-6% is much lower than coal from China and India, where it typically exceeds 10-30%. A low ash content translates into cost savings on ash disposal and maintenance caused by pollution.
- SEM coal's sulphur content at 0.1-0.3% is significantly lower than coal from China and India, where sulphur content typically ranges from 1-8%. A low sulphur content means less cost for the power plants that process our coal, and greater ease of blending our coal with other types of coal with higher sulphur content.

OUR INTEGRATED SUPPLY CHAIN

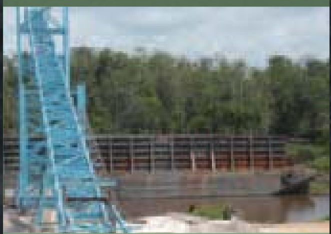
Overburden Removing and Coal Getting at SEM

- The coal is harvested using open-cut mining techniques.
- Only 1,200 hectares out of our 2,000 hectares concession has been explored under JORC review by Associated Geosciences Limited.
- We are currently producing from two mine pits with low average strip ratios which enable easier access to coal, lower cost of mining and improved profitability.
- Our production is 6,000 tonnes/day and this is projected to reach 16,000 tonnes/day by 2014/2015.

Coal Hauling from mine to Telang Baru Jetty : 41km (around 2 hours' travel)

- Our mine's proximity to jetties and stockpile facilities with loading platforms, as well as an existing road for coal hauling, enable us to transport coal efficiently from mine site to barges/ ocean-going mother vessels.
- These enable us to better manage transportation cost, thereby improving margins and increasing profitability.

Coal Crushing and Stockpiling at Telang Baru Jetty



Barge Loading at Telang Baru Jetty

- The coal is crushed and stockpiled at the Telang Baru Jetty.
- As a pit-to-port coal mining company, our coal is then loaded onto barges for transportation to their destination via sea.

Barging Coal to Taboneo Anchorage through Barito River (around 36 hours)

- We barge the coal from the jetty to the Taboneo Anchorage through Barito River, ready to be transported to customers via mother vessels.
- The final product is widely used for its clean-burning and low-sulphur, low-pollutant characteristics.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For FY2012, the Company recorded a turnover of

HK$536 MILLION,

representing an increase of approximately 128% as compared to FY2011 (2011: HK$235 million). Gross profit increased from HK$30.6 million to HK$109.6 million. The increase in turnover and gross profit were mainly due to the rapid growth in the mining business.

The Company recorded a consolidated loss attributable to owners of the Company of approximately HK$17.6 million as compared to HK$44.1 million profit recorded in corresponding period in 2011. For the past two years, the Group has been establishing our mining business and rationalising our non-core businesses. This has translated into a one-off gain from the bargain purchase in 2011 and the net loss from the disposal and discontinuation of businesses in the current financial year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There was no material change in the Group's capital structure in FY2012 as compared to FY2011.

As at 31 March 2012, the Group's shareholders' equity amounted to HK$1.8 billion, while total bank indebtedness amounted to approximately HK$29.8 million and cash on hand amounted to approximately HK$22 million. The Group's bank indebtedness to equity ratio is 0.0163 while the current ratio is 1.1. The Board believes that the Company's sound and healthy financial position will enable us to finance our operations and explore other business development opportunities.

As at 31 March 2012, the Company has financial assets at fair value through profit or loss of approximately HK$19,000 (2011 : HK$1,162,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Groups' assets, liabilities and business transactions are principally denominated in Hong Kong dollars, Singapore dollars, Indonesia Rupiah, Chinese Renminbi and US dollars and therefore the Group is exposed to various foreign exchange risks. The Group manages our foreign exchange risks by performing regular review and monitoring our foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks.

PLEDGE OF ASSETS

As at 31 March 2012, buildings with a net carrying value amount of approximately HK$6.7 million (2011: HK$6.8 million) and other property, plant and equipment items with an aggregate net carrying amount of HK$46.5 million (2011: HK$Nil) were pledged to banks as securities for general banking facilities granted to the Group.

OPERATIONAL REVIEW

In line with our sharpened business focus as a coal mining company, Agritrade in FY2012 dedicated efforts to streamlining operations and growing the coal mining business. Over the past year, the Company implemented various measures including securing off-take agreements, divesting non-core assets, as well as stepping up ongoing efforts to enhance infrastructure and production processes to drive sustainable long term growth.

COAL MINING BUSINESS

Agritrade's coal mining business segment is principally engaged in the production, processing, transportation and marketing of our own brand of SEM coal, a sub-bituminous, low-sulphur, low-pollutant thermal coal from our mine concession, SEM.

For FY2012, the coal mining segment generated revenue of HK$427.2 million, a 487.8% increase from HK$72.7 million in FY2011, driven by a significant increase in production capacity and strong demand for our coal. For FY2012, the segment contributed HK$71.0 million in profit.

The Indonesian coal market witnessed stable growth during the year under review. In September 2011, the Indonesian Coal Mining Association ("APBI") forecasted Indonesia's production of thermal and coking coal to reach 380 million tonnes in 2012, an increase of 11.78% from 2011. About 80% of the production is expected to be exported to China, India, Japan and Korea, markets that are experiencing strong thermal coal demand due to rapid energy consumption growth.

Currently, bituminous and sub-bituminous coal production account for our majority of Indonesia's thermal coal supply. With the diminishing supply and higher production cost of bituminous coal, the demand for sub-bituminous coal in Asia has increased significantly over the last five years due to it being a more affordable energy source, especially for developing nations. The demand for sub-bituminous coal is further boosted by power stations worldwide seeking to control costs in view of rising energy prices.

Leveraging on the robust Asian coal market and in line with our growth plans, production at the Company's SEM mine has increased exponentially since operations commenced in February 2010, increasing five-fold from 300,400 tonnes in FY2011 to 1.58 million tonnes in FY2012. Average monthly production increased to between 150,000 and 200,000 tonnes per month for the year. Based on this rate of production, the management estimates an annualised production of around 2.0 to 2.5 million tonnes over the next 12 months.

The increase in production was largely boosted by the opening of the Company's second coal pit in the third quarter of 2011, and third coal pit in the first quarter of 2012. This was supported by improvements to logistics operations and infrastructure, such as the expansion of the Company's hauling truck fleet and coal stockpile area, deployment of additional heavy mining equipment, as well as enhancements to the coal hauling road and barging and loading facilities at our jetty.

The Company has also started building its own coal upgrading facility and is currently applying the use of GEO-COAL™ technology, which will process and upgrade SEM coal into a higher rank coal with increased calorific value, lower moisture levels and enhanced profit margin. This coal upgrading facility will have a processing capacity of 500,000 tonnes of upgraded SEM coal per annum, and is expected to be completed and commissioned commercially by 2013.

SHIPPING BUSINESS

The shipping segment recorded a turnover of approximately HK$8 million and generated HK$23 million loss (including loss on disposal of vessels of HK$23 million) in FY2012, which represented a decrease of 55% and 507% respectively compared to FY2011. During the reporting period, the Group had disposed our vessels owned under Rimau Shipping Pte Limited ("Rimau Shipping"), an indirect wholly-owned subsidiary of the Group. This one-off disposal exercise was completed on 14 October 2011, largely in response to the challenges of a slump in the shipping industry and is in line with the Company's strategy to focus our efforts on the coal mining business. Net proceeds from this disposal are intended to be applied as general working capital and acquisition funding if and when suitable opportunities arise.

TEXTILE BUSINESS

Turnover in the textile business segment registered approximately HK$101 million in FY2012, representing a decrease of 30% from FY2011. Due to a continuous surge in prices of dyed material, electricity and wages in China, profit margin of the segment was significantly narrowed. As announced on 26 August 2011, the Company entered into a sales and purchase agreement to dispose Real Connection Limited, a wholly-owned subsidiary of the Group, with its core business in dyeing, setting and finishing ("Textile Disposal"). The Textile Disposal generated once-off net proceeds of approximately HK$52.9 million for the Group.

In FY2012, the textile segment recorded a profit of HK$1.7 million, compared to a segment loss of HK$15.1 millionfor FY2011. This improvement in segment profit for FY2012 is mainly due to the disposal gains generated from the Textile Disposal. The Directors view the Textile Disposal as an opportunity for the Company to focus on our core business in coal mining and other mine related business.

MAJOR EVENTS

CONTINUING CONNECTED TRANSACTION WITH PARENT COMPANY, AGRITRADE INTERNATIONAL

On 4 June 2012, PT SEM, a non-wholly owned subsidiary of the Company entered into an off-take agreement with Agritrade International to supply up to 400,000 metric tonnes of coal annually for the next three years. As Agritrade International is a substantial shareholder of the Company, the transaction contemplated under the off-take agreement constitutes a continuous connected transaction. This transaction is subject to the approval from the independent shareholders and the Company will make further disclosures and announcements as and when necessary.

FUND RAISING ACTIVITIES

On 24 February 2012, the Company entered into a non-binding agreement with an international financial institution (the “FI”) to secure a term loan facility term sheet and an off-take term sheet. Once finalised and signed, the FI will make available a term loan facility of up to US$50 million to Agritrade Resources Asia Pte Limited (“ARAL”), a wholly-owned subsidary of the Group for the financing of the infrastructure development of our mining assets. In return, ARAL will supply up to 3 million metric tonnes of SEM coal to the FI for the next three years until 2015. The Company will make further announcements on this agreement as and when appropriate.

CLEAN AND CLEAR STATUS

The Company is pleased to report that our SEM mine was awarded a Clean and Clear mining permit status by the Directorate General of Minerals and Coal of Indonesia's Energy and Mineral Resources Ministry during the year. In Indonesia, mine permits are awarded Clean and Clear status only if the mine areas they cover have complete documents and do not overlap with other mining concessions. It has been reported by the Directorate General of Minerals and Coal that out of the 10,235 mining permits (IUPs) issued by local governments up till 29 May 2012, only 4,597 permits have the Clean and Clear status.

DISPOSAL OF NON-CORE SHIPPING ASSETS

As announced on 14 October 2011, Rimau Shipping, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of agreement with an independent third party on 15 September 2011 to dispose vessels beneficially owned by Rimau Shipping. This disposal was completed on 3 October 2011.

The Company recorded a one-off disposal loss from the sale of the vessels of approximately HK$23.6 million. The net proceeds of approximately HK$42 million are intended to be applied as general working capital and acquisition funding if and when suitable opportunities arise.

DISPOSAL OF A SUBSIDIARY

As announced on 26 August 2011, Sinoplex Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Full Admire Limited, an independent third party to dispose of Real Connection Limited, an indirect wholly-owned subsidiary of the Company whose core business includes dyeing, setting and finishing. Following the completion of the disposal, the Company obtained net proceeds of approximately HK$52.9 million. Details of the above disposal were disclosed in the announcement dated 26 August 2011.

Apart from the disclosed above, there were no other material acquisitions and disposals during the year.

STAFF AND REMUNERATION POLICIES

As at 31 March 2012, the Company had approximately 412 employees. The Company mainly determines staff remuneration in accordance with market terms and individual qualifications. The emoluments of the directors of the Company are reviewed and recommended by the remuneration committee, and decided by the Board of directors, as authorised by the shareholders at the annual general meeting, with regard to the Company's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to providing incentives to option holders to participate and contribute to the growth of the Company.

GROWTH STRATEGY AND OUTLOOK

GROWTH STRATEGY

Agritrade's strategic objective is to solidify our status as a top-tier international coal producer over time. This is evident from the disposal of non-core assets, including textile and shipping businesses, over the last two years in order to streamline our operations and dedicate resources to grow our coal mining business. Building upon our strong foundation, we will strive to deliver further growth to our shareholders through a combination of the following measures:

• Increase production capacity and efficiency

Not only has demand for sub-bituminous coal in Asia grown significantly over the last five years, but Indonesian demand has also increased. Agritrade is already in the process of enhancing our inherent ability to tap on this upward trend.

Since commencing coal mining operations in 2010, we have increased our production capacity figures significantly. With the commencement of operations at our second pit in the third quarter of 2011 and our third pit in the first quarter of 2012, we have witnessed improved monthly production capacity for FY2012 of between 150,000 and 200,000 tonnes. Based on this figure, management estimates annual production capacity to reach 2.5 million tonnes over the next 12 months. Looking ahead, management targets to increase our SEM mine's annual production capacity to 6 million tonnes per annum by 2014/2015.

• Fortify infrastructure around mining operations

Improvements to our mining infrastructure is key to strengthening our ability to handle an anticipated escalation of coal production. Such enhancements will also enable the Company to achieve better economies of scale.

Agritrade has planned for the upgrading of an existing 41-kilometre hauling road between SEM mine and Telang Baru Jetty, expansion of our truck fleet, purchase of more mining equipment and improving stockpile capacity.

So far, the main hauling road has been improved with a gravel surface, making the road more weatherproof to allow smooth transportation. Transportation downtime caused by adverse weather around the mining area during the rainy season is expected to drop considerably.

Through these enhancements, we aim to improve the overall time and cost efficiency to harvest and transport coal from pit to port.

• Advance the exploration of SEM deposits

The Company intends to further explore and evaluate the coal deposit whilst substantially advancing the feasibility and mine planning of the remaining 800 hectares of concession area that are pending JORC review. The long term coal price has shown a substantial change during the year, and the Company has undergone a JORC review update on the existing 1,200 hectares currently in operation.

The JORC Statement prepared by Runge Indonesia (set out in the Company's announcement dated 6 May 2011) demonstrated a significant increase of total open-cut coal reserves of the SEM mine, from 30 million tonnes to 41 million tonnes based on the estimated long term coal price of US$32 per tonne. In addition, a further JORC update being reviewed by Associated Geosciences Limited in June 2012. The current estimation of total open-cut coal reserves of the mine has increased to up to 70.7 million tonnes based on the estimated long term coal price of US$39.5.

Set out in the table below are the highlights of the further JORC review:

COAL RESOURCES AND RESERVES REPORT

		As at 31 October 2010	As at 28 June 2012	Change in %	Reason of change
Coal Resources (in million tonnes)	Measured	26.7	70.0	Increased 162.2%	Discovery of new coal seam
	Indicated	35.6	25.0	Decreased 29.8%	
	Inferred	16.0	10.0	Decreased 37.5%	
	Total	78.3	105.0	Increased 34.1%	
Total Open Cut Coal Reserves (in million tonnes)	Proved	0	0	0%	Benefit from the discovery of new coal seam and improvement in long term coal price
	Probable	41	70.7	Increased 72.4%	
	Total	41	70.7	Increased 72.4%	

• Deepen and expand our customer base

It is expected that long-term demand for thermal coal in Asia will remain robust, largely driven by strong demand from the world's five largest importers - China, India, South Korea, Japan and Taiwan. Particularly for the rapidly growing economies of China and India, low-rank coal is extensively burned to generate electrical power. Energy consumption trends indicate greater demand from these countries in their bid to propel economic expansion and minimise historical power shortages.

To capture the potential from these emerging markets, Agritrade aims to continue building our network of customers through greater sales and marketing efforts internationally. We will strive to not only satisfy existing demand for SEM coal, but to also secure long-term supply contracts in advance. We believe we are in a good position to take advantage of any potential increase in coal prices in the local and export markets.



• Upgrade SEM coal

Coal upgrading has been identified as one method to enhance the inherent market value of SEM coal, with the aim of widening profit margins.

Agritrade has started a joint development with PT Total Sinergy International on the application of GEO-COAL™ technology. The first mine site coal processing facility is currently under construction and is scheduled to be completed and commissioned commercially in 2013. This GEO-COAL™ upgrading production facility will have a processing capacity of 500,000 tonnes of upgraded SEM coal per annum.

Through the application of this technology, we are able to significantly reduce moisture in SEM coal, thereby raising its calorific value whilst retaining its environmental properties. Besides enhancing the energy value of SEM coal, the moisture removed helps to substantially reduce transportation costs, thereby lifting profit margins.

• Outlook

As one of the richest sources of minerals in Asia and given our proximity to some of the region's largest coal consumers, Indonesia is poised to benefit from the growing global demand for coal resources.

Despite the challenging global economy, the Company continues to observe increasing worldwide demand for lower-rank thermal coal such as SEM coal, particularly in Indonesia as well as developing Asian countries like China and India which are experiencing rapid growth and thriving consumption patterns. In 2012, Indonesia is expected to see a 4% year-on-year increase in domestic coal consumption to up to 82 million tonnes, on the back of forecasted GDP growth of over 6% this year. With SEM coal's inherently low-pollutant and low-sulphur characteristics, we are confident that regional power plants and households will continue to favour products like SEM coal, which remains an affordable form of stored energy, especially in light of the ongoing escalation in energy demand.

Agritrade will strive to pin our next phase of growth on the back of this persistent demand for affordable and quality coal by continuing to focus on our business strategy through R&D, expanding our distribution network and improving operational infrastructure.

RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT

The Company is exposed to certain operational risks in our supply chain operations, from upstream mining to downstream delivery to customers. The risks include adverse weather conditions, equipment or marine risk and market risk. The management monitors and mitigates these risks to ensure minimum disturbances to the operations. The policies on managing the various risks are highlighted below.

Adverse Weather Conditions

For many open-cut mines in Indonesia, continuous and severe rain may cause the mining pits to be flooded and the hauling roads to be muddy, hence decreasing productivity. To overcome this, the management has installed a good drainage system with appropriate water pumps and settling ponds to drain the water from the pits. The management is also regularly upgrading and maintaining the Company's hauling road to ensure continuous hauling even in times of heavy rain.

Marine Risk

Though extremely rare, the Company is exposed to potential marine risks where the vessel transporting the cargo sinks, breaks down or gets attacked by pirates during the sea journey. The Management eliminates these risks by ensuring proper insurance coverage and selecting the most appropriate vessel for every shipment to ensure maximum security.

Market Risk

The Company is exposed to market risks such as falling coal prices. When coal prices fall continuously, there may be buyers who will potentially default in receiving their cargo or in making payment. Agritrade has a strong finance and marketing team to ensure suitable and secured payment terms to safeguard the Company's interests.

FINANCIAL RISK MANAGEMENT

The Company deals in a variety of financial instruments which are exposed to financial risks, including market risk, credit risk and liquidity risk. The management closely monitors and manages the Company's exposure and implement appropriate measures to mitigate and alleviate these risks. For more details, please refer to page 101 to 104.

CAPITAL RISK MANAGEMENT

The Company manages our capital and makes adjustments to our capital structure according to changing economic conditions to ensure we will be able to continue as a going concern, while maximising returns to our shareholders. For more details, please refer to page 104.

CORPORATE SOCIAL RESPONSIBILITY

Our Company strongly believes in the philosophy of giving back to the community and we are constantly looking to improve the lives of the people in the area where we operate. Currently, we are providing employment, building infrastructure and making improvements to the local community around our mine area located within the town of Tamiang Layang, Central Kalimantan, Indonesia.

By continuously recruiting locals as our drivers, we not only provide employment to the local community, but also create a sense of ownership and a stable livelihood. We are also committed to our fundamental responsibility of protecting the environment through operational measures that would reduce the environment impact caused by our nature of work. These include restoring the mined area back, and adopting proper water drainage and filtering systems to ensure that water is safe for safe for sanitation. In addition, we are exploring the feasibility of providing healthcare and education which will benefit the locals to a greater extent.

INVESTOR RELATIONS

IN FY2012,

we made encouraging strides towards strengthening our communications platform alongside our rejuvenated business focus as a coal mining company.

With management spread across Singapore, Hong Kong and Indonesia, being supported by a core team of investor and media relations advisors based in both Singapore and Hong Kong enables Agritrade to centralise all communications output. Working closely together, the team provides strategic counsel and acts as a first point of contact to facilitate meaningful conversations with the media and broader investment community.

Recognising the importance of transparent and regular communication with stakeholders, we aim to continue providing timely updates and comprehensive disclosure through various channels to keep all interested parties abreast of latest developments, company performance and growth strategies. This has enabled us to build a strong rapport with our valued stakeholders over the years.

CORPORATE WEBSITE

Agritrade's company website (www.agritraderesources.com) offers easy access to detailed information on various aspects of the company and business for both the public and investors. It is particularly useful for potential investors who wish to gain an in-depth look into the company's business model, financial health and key management team.

To better serve our shareholders, the "Investor Relations" section provides regular updates on stock information and key ratios, corporate announcements, financial results and presentations, interim and annual reports, as well as quarterly business update reports.

ANNOUNCEMENT OF FINANCIAL RESULTS

Announcements of our financial results are released publicly through the Stock Exchange's online portal (www.hkex.com.hk).

In the spirit of timely market disclosure, we intend to upload results announcement materials including financial statements, press release and/or presentation slides on our website after each results announcement on a regular and consistent basis moving forward, for the benefit of easy access by all interested parties.

Also as part of our bid to keep the dialogue with stakeholders open, management continues to actively engage investors and the media via conference calls and one-to-one meetings, in order to provide regular updates and address any queries on the Company's performance and strategies.

CORPORATE LITERATURE

- Announcements serve as frequent updates on significant corporate developments ranging from signed agreements to acquisitions and disposals. These are posted on the Stock Exchange as well as our website.

- Interim reports provide a comprehensive overview of Agritrade's business and financial performance as well as outline key corporate developments over the six-month period, and are released on the Stock Exchange's online portal and our website every November/December.

- Annual reports reviewing the company's full year business performance and developments are mailed to all shareholders in hard copies, following release on the Stock Exchange. The reports are uploaded onto our website and are also available to all other interested parties upon request. As part of ongoing efforts to enhance information delivery, our annual report this year takes on a fresh new look with an editorial portion providing key corporate and financial information in a more visually appealing, easy-to-read format.

- Quarterly business updates provide detailed information on SEM coal production figures and forecasts, spot coal prices as well as significant sector news. These documents are developed in-house and uploaded on our website to keep shareholders updated on the Company's latest business developments as well as industry happenings.

- Fact sheets, which are informative one-page handouts on the Company and the coal sector, are regularly updated and uploaded on our website, and are provided for potential and existing investors, the investment community and media during meetings or upon request.

- Corporate presentations, which serve as comprehensive repositories of Company-specific information, are used at meetings with the investment community and media. Though not mandatory, we upload these on the Company website for the benefit of other stakeholders as well as in the interest of full and transparent disclosure.

ANNUAL GENERAL MEETING

The Company's annual general meeting (AGM) is typically held in August in Hong Kong each year. Besides serving as a platform for shareholders to vote on proposed resolutions to be passed, the AGM provides an opportunity for Agritrade's Board of Directors to meet personally with shareholders and to better provide them an understanding of the strategic direction of the company. Senior management and external auditors are also present to answer any questions and address any concerns.

MEETINGS, CONFERENCE CALLS AND SITE VISITS

The Company currently engages local and foreign institutional investors, analysts and the media through face-to-face meetings, conference calls and emails, to provide updates on the latest developments and to address any concerns. Management intends to step up its efforts in this area to reach out to a greater audience including retail investors.

In addition, we periodically arrange site visits for our investors and analysts to our coal mine in Central Kalimantan, Indonesia, which we believe would be helpful in providing a better understanding of our business operations.

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Rashid Bin Maidin
(Chief Executive Officer)
Mr. Ng Xinwei
(Chief Operating Officer)
Ms. Lim Beng Kim, Lulu
Mr. Shiu Shu Ming
(Chief Financial Officer)
Mr. Li Man Ching
Ms. Li Mei Lin

Non-executive Director
Mrs. Chen Chou Mei Mei

Independent Non-executive Directors
Mr. Chong Lee Chang
Mr. Chan Cheong Yee
Mr. Siu Kin Wai

COMPANY SECRETARY

Mr. Chan Chi Fai, David

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1705, 17/F.,
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

REGIONAL OFFICE

80 Raffles Place
45-01/02/03
UOB Plaza 1
Singapore 048624

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITORS

Michael Li & Co.
19/F, Prosperity Tower
39 Queen's Road Central, Central
Hong Kong

PRINICIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Wing Hang Bank Limited
Banco Weng Hang, S.A.
PT. CIMB Niaga Tbk
PT. Bank Central Asia
Citibank N.A.

WEBSITE

www.agritraderesources.com

COMPLIANCE CONTENTS

DIRECTORS' REPORT

The Board of directors (the "**Directors**") present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are mining, exploration and sale of coal, time chartering of vessels and the manufacture and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services.

RESULTS

The results of the Group for the year ended 31 March 2012 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on page 48 to 104 of the annual report.

The Board does not recommend the payment of dividend for the year ended 31 March 2012 (2011: HK$Nil).

SUMMARY FINANCIAL INFORMATON

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 105. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, CONVERTIBLE PREFERENCE SHARES AND CONVERTIBLE BONDS

Details of movements in the share capital, convertible preference shares ('CPS') and convertible bonds of the Company during the year are set out in note 31, 32 and 29 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company reserves available for distribution to members at 31 March 2012 amounted to HK$39,143,000 (2011: HK$85,468,000), which comprised contributed surplus of HK$153,400,000 (2011: HK$153,400,000) and deficit of HK$114,257,000 (2011: HK$67,932,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Rashid Bin Maidin	(Chief Executive Officer)
Mr. Ng Xinwei	(Chief Operating Officer)
Ms. Lim Beng Kim, Lulu	
Mr. Shiu Shu Ming	(Chief Financial Officer)
Mr. Li Man Ching	
Ms. Li Mei Lin	
Ms. Elly Ong	(retired on 30 August 2011)

Non-executive director:
Mrs. Chen Chou Mei Mei

Independent non-executive directors:
Mr. Chong Lee Chang
Mr. Chan Cheong Yee
Mr. Siu Kin Wai

In accordance with Bye-laws 101 and 110(A) of the Company's Bye-laws, Ms. Lim Beng Kim, Lulu, Mr. Li Man Ching, Ms. Li Mei Lin, Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee shall retire at the forthcoming annual general meeting. Ms. Lim Beng Kim, Lulu, Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee shall offer themselves for re-election. Mr. Li Man Ching and Ms. Li Mei Lin decided not to offer themselves for re-election.

The term of office for independent non-executive Director is three years or the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographies of the directors of the Company and the senior management of the Group are set out on pages 6 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee have entered into service contracts with the Company for a period of three years commencing from 25 June 2010. Mr. Siu Kin Wai has entered into a service contract with the Company for a period of three years commencing 24 August 2010. All their appointments are subject to the retire requirement according to the Company's Bye-laws and shall continue thereafter, subject to termination by either party giving at least one months' prior notice to the other party.

Other than as disclosed above, no Director 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 EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests of the Directors, the chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position

	Convertible preference shares	Ordinary shares		Interest in underlying shares		
Name of director	**Personal interest**	**Personal interest**	**Corporate interest**	**Personal interest**	**Aggregated interest**	**Percentage of the issued share capital of the Company**
Mr. Ng Xinwei	-	-	-	2,750,000 (Note 1)	2,750,000	0.47%
Ms. Lim Beng Kim, Lulu ("Ms. Lulu Lim")	16,000,000	-	-	31,466,667 (Note 2)	47,466,667	8.13%
Mr. Shiu Shu Ming	-	-	-	2,750,000 (Note 3)	2,750,000	0.47%
Mrs. Chen Chou Mei Mei ("Mrs. Chen")	-	6,210,000	1,500,000 (Note 4)	-	7,710,000	1.32%
Mr. Chong Lee Chang ("Mr. Chong")	-	-	3,760,000 (Note 5)	-	3,760,000	0.64%
Mr. Li Man Ching	-	3,830,000	-	-	3,830,000	0.66%
Ms. Li Mei Lin	-	3,100,000	-	-	3,100,000	0.53%

Note:

(1) This represents the number of share options granted to Mr. Ng Xinwei.

(2) This represents HK$44.95 million convertible bonds, which can be converted to 29,966,667 ordinary shares held by Ms. Lulu Lim and 1,500,000 share options granted to Ms. Lulu Lim.

(3) This represents the number of share options granted to Mr. Shiu Shu Ming.

(4) This represents 1,500,000 shares of the Company held by Mrs. Chen through controlled corporations of Avec Inc. It is wholly owned by Mrs. Chen.

(5) This represents 3,760,000 shares of the Company held by Mr. Chong through controlled corporations of Shieldman Limited. It is wholly owned by Mr. Chong.

Save as disclosed above, as at 31 March 2012, none of the Directors, the chief executives and their associates had any personal, family, corporate or other interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

During the year ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings described in note 36 to the financial statements, 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 debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 4 February 2010, the Group entered into (i) the Tenancy Agreement with Mr. Ng Say Pek; and (ii) the Ship Management Agreement and the Charter Party Agreement with Integral Marine Services Pte Ltd. ("Integral Marine").

With (i) Mr. Ng Say Pek, being a director of Rimau Shipping, beneficial owner of AIPL and also father of Mr. Ng Xinwei, Director; and (ii) Integral Marine being beneficially owned as to 50% by Mr. Ng Xinwei, a director of Rimau Shipping and Director; and as to 50% by Mr. Rashid Bin Maidin, Director, the transactions constituted continuing connected transactions under Rule 14A.35 of the Listing Rules, which are subject to the reporting and announcement requirements and independent shareholders' approval requirement. An announcement was made by the Company on 4 February 2010 in this respect.

During the year, the Group had terminated the Tenancy Agreement with Mr. Ng Say Pek and the Ship Management Agreement and the Charter Party Agreement with Integral Marine respectively.

Save as disclosed above, as at 31 March 2012, no contract of significance in relation to the Company's business, to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012 and so far as is known to the Board and according to the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of the SFO, the following persons or corporations (other than the Directors of the Company) has interest of 5% or more of the nominal value of the issued share capital that carry a right to vote in all circumstances at general meetings of the Company:

Name	Capacity	Number of shares/ underlying shares held	Approximate percentage of shareholding
AIPL (Note 1)	Beneficial owner	367,733,333	63.00%
Mr. Ng Say Pek (Note 2)	Corporate interests/deemed interest	370,733,333	63.51%
WSJ International Sdn Bhd. ("WSJ") (Note 3)	Beneficial owner	275,800,000	47.25%

Note:

(1) This represents 128,000,000 CPS, 174,000,000 ordinary shares and HK$98.6 million convertible bonds ("CB"), which can be converted to 65,733,333 ordinary shares held by AIPL.

(2) This represent (i) Mr. Ng Say Pek held 80% equity interest of AIPL; and (ii) 3,000,000 share options granted to Ms. Lim Chek Hwee, the spouse of Mr. Ng Say Pek. By virtue of SFO, Mr. Ng Say Pek is deemed to be interested in the shares and underlying shares held by AIPL and Ms. Lim Check Hwee respectively.

(3) This represents 96,000,000 CPS and HK$269.7 million CB, which can be converted to 179,800,000 ordinary shares held by WSJ.

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions of substantial shareholders kept pursuant to section 336 of SFO as having an interest in 5% or more of the nominal value of the issued share capital that carry a right to vote in all circumstances at general meetings of the Company.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

On 4 February 2010, the Group entered into (i) the Tenancy Agreement with Ng Say Pek; and (ii) the Ship Management Agreement and the Charter Party Agreement with Integral Marine.

The transactions constituted continuing connected transactions under Rule 14A.35 of the Listing Rules, which are subject to the reporting and announcement requirements and independent shareholders' approval requirement. An announcement was made by the Company on 4 February 2010 in this respect.

The Board confirms that the Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirm that (i) the disclosed continuing connected transactions have been entered into in the ordinary and usual course of business of the Company; (ii) the disclosed continuing connected transactions have been entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) the terms of the relevant agreement governing each of the disclosed continuing connected transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year, the Group had terminated the Tenancy Agreement with Mr. Ng Say Pek and the Ship Management Agreement and the Charter Party Agreement with Integral Marine respectively.

The Company's auditor was engaged to report on the Group's continuing connected transactions in respect of the Charter Party Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in respect of the Charter Party Agreement disclosed by the Group in accordance with main board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the disclosure requirements as set out in chapter 14A of the Listing Rules in respect of the above connected and continuing connected transactions.

On 4 June 2012, the Company entered into the Coal Supply Agreement with AIPL, a substantial shareholder and hence a connected person of the Company. Accordingly, the transactions under the Coal Supply Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules. Details are set out in note 47 to the financial statements.

EMOLUMENT POLICY

As at 31 March 2012, the Group had approximately 412 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors of the Company are reviewed and recommended by the remuneration committee, and decided by the Board, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group, details of the scheme is set out in note 36 to the financial statements.

COMPETING INTERESTS

During the year, and up to the date of this report, the following Directors were 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, as defined in the Listing Rules, details of which are set out below:

Mr. Rashid Bin Maidin, an Executive Director and Chief Executive Officer of the Company, has majority control of the board of directors and controlling interest of WSJ together with his associates.

WSJ is principally engaged in trading of commodities and logistics support services. WSJ holds certain equity interest and Mr. Rashid is a director of the following ship owning, management and operation companies: (i) WS Shipping Sdn. Bhd.; (ii) WS Coastal Marine Sdn. Bhd.; (iii) WS Towage Sdn. Bhd.; (iv) WS Navigators Sdn. Bhd. and (v) WS Maritime Sdn. Bhd.. These companies may be in competition with the Group.

Mr. Ng Xinwei, an Executive Director and Chief Operating Officer of the Company, is also a director of WS Armada Sdn. Bhd., owned by AIPL and WSJ, which is engaged in ship management and operation. This company may be in competition with the Group.

Save as disclosed above, as at 31 March 2012, none of the Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	60%	
Five largest customers in aggregate	76%	
The largest supplier		9%
Five largest suppliers in aggregate		19%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2012.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

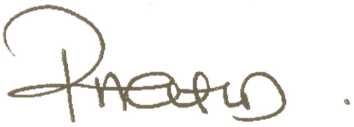
Details of significant event occurring after end of the reporting period are set out in note 47 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITOR

Deloitte Touche Tohmatsu resigned as auditor of the Company on 27 April 2011. BDO Limited was appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditor in the past three years. A resolution for the reappointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Rashid Bin Maidin
Director and Chief Executive Officer
Hong Kong, 29 June 2012

CORPORATE GOVERNANCE REPORT

The purpose of this report is to provide Shareholders with information on the major principles and corporate governance practices adopted by the Company.

Throughout the year ended 31 March 2012, the Company has compiled with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules and also applied the major principles with the code provisions set out in the CG Code. Further details of the Company's corporate governance practices will be described in the following sections. With the introduction of the revised CG Code with effect from 1 April 2012 (the "Revised CG Code"), the Company's corporate governance practices were also revised to be in line with the Code Provisions of the Revised CG Code.

THE BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors. As at the date of this report, the Board comprises 10 members, including six executive Directors, one non-executive Director and three independent non-executive Directors. The biographies of the Directors are set out on pages 6 to 7 of this annual report.

The Board of Directors of the Company assumes responsibility for the management of the Group's affairs, and concentrates on matters affecting the Group's overall strategic policies, finances, shareholder interests and corporate governance. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors whom the Company considers to have appropriate professional qualifications or accounting or related financial management experience and qualifications to carry out their duties. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, considering major issues and approving the overall strategies of the Company. The Board met 9 times during the year ended 31 March 2012. Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary. The views of Directors were actively solicited if they were unable to attend the meeting of the Board.

CORPORATE GOVERNANCE REPORT (CONT'D)

The composition of the Board and attendance of the Directors are set out below:

Name of Directors	Attendance
Executive directors:	
Mr. Rashid Bin Maidin **(Chief Executive Officer)**	6/9
Mr. Ng Xinwei **(Chief Operating Officer)**	9/9
Ms. Lim Beng Kim, Lulu	9/9
Mr. Shiu Shu Ming **(Chief Financial Officer)**	9/9
Mr. Li Man Ching	0/9
Ms. Li Mei Lin	4/9
Ms. Elly Ong (retired on 30 August 2011)	0/5
Non-executive director:	
Mrs. Chen Chou Mei Mei	4/9
Independent non-executive directors:	
Mr. Chong Lee Chang	5/9
Mr. Chan Cheong Yee	2/9
Mr. Siu Kin Wai	3/9

The Directors have access to the advice and services of the Company Secretary regarding Board procedures, and all applicable rules and regulations in respect of the meetings are followed. With the assistance of the Company Secretary, the meeting agenda is set by the Board in consultation among Board members. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

The Company has taken out appropriate insurance cover for the Directors in respect of legal actions that may be taken against the Directors. The Board reviews the extent of the insurance cover every year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Board has not appointed an individual to the post of Chairman after the resignation of Mr. Li Man Ching, ex-Chairman of the Company, on 7 October 2010. The Board is in the process of identifying suitable candidates to fill in the vacancy for Chairman in compliance with the requirement of the CG Code. Further announcement will be made by the Company with regard to the new appointment of Chairman of the Company in due course.

Mr. Rashid Bin Maidin is the Chief Executive Officer of the Group and responsible for the day-to-day management of the Group's business and operations.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a Chairman of the Board if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

AUDIT COMMITTEE

The Company has established an audit committee, the composition and members of which complies with the requirements of the Listing Rule 3.21. The current members comprise:

Siu Kin Wai (Chairman)
Chong Lee Chang
Chan Cheong Yee

All the members of the audit committee are independent non-executive Directors.

The audit committee's primary responsibilities include reviewing the reporting of financial and other information to shareholders, the system of the internal controls, risk management and the effectiveness and objectivity of the audit process.

The latest update of the terms of reference of the Audit Committee were approved and adopted by the Board in March 2012 to align with the code provisions set out in the Revised CG Code. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The audit committee met three times this year, the table below sets out the attendance record of each Director:

Name of Directors	Attendance
Mr. Siu Kin Wai (Chairman)	3/3
Mr. Chong Lee Chang	3/3
Mr. Chan Cheong Yee	1/3

REMUNERATION COMMITTEE

The remuneration committee was established in 2005 with specific terms of reference which deal clearly with its authority and duties, the current members include Mr. Chan Cheong Yee (the Chairman), Mr. Siu Kin Wai and Mr. Shiu Shu Ming. The remuneration committee met one time this year to review the directors' remuneration and gave us its recommendation to the Board for consideration, the table below sets out the attendance record of each Director:

Name of Directors	Attendance
Executive director:	
Mr. Shiu Shu Ming	1/1
Independent non-executive directors:	
Mr. Chan Cheong Yee (Chairman)	1/1
Mr. Siu Kin Wai	1/1

The main duties of the Remuneration Committee are to review and recommend remuneration policy and packages of Directors and senior management of the Company.

The latest update of the terms of reference of the Remuneration Committee were approved and adopted by the Board in January 2012 to align with the code provisions set out in the Revised CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

NOMINATION COMMITTEE

The Company set up a Nomination Committee in March 2012 comprising an executive Director, Mr. Shiu Shu Ming and two independent non-executive Directors, namely Mr. Chong Lee Chang (as Chairman of the Committee) and Mr. Siu Kin Wai. The main duties of the Nomination Committee are to review the structure, size and composition of the Board; and to identify, select and nominate suitable individuals for appointment as Directors of the Company. The terms of reference are aligned with the code provisions set out in the Revised CG Code and they are available on the websites of the Company and the Stock Exchange.

Prior to the setup of the Nomination Committee, the above duties of the Nomination Committee were performed by the Board. No new members have been appointed to the Board during the year. Since the Nomination Committee was newly formed, no meeting was held during the year.

AUDITORS' REMUNERATION

During the year, the audit fees charged to the accounts are HK$1,320,000. The auditor of the Company also provided non-audit services at a fee of HK$20,000 for the year.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities to prepare the accounts of the Group and other financial disclosures in accordance with statutory requirements and applicable accounting standards. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 to 47 of this annual report.

During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all materials controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted. The Board was satisfied that the internal system of the Group functioned effectively during the review year.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. The Company had established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders mainly in the following ways: (i) the holding of annual general meetings and special general meetings, if any, which may be convened for specific purposes which provide opportunities for the shareholders to communicate directly with the Board; (ii) the publication of announcements, annual reports, interim reports and/ or circulars as required under the Listing Rules and press releases providing updated information of the Group; (iii) the availability of latest information of the Group in our website; and (iv) the holding of press conference from time to time.

FINANCIAL CONTENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AGRITRADE RESOURCES LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Agritrade Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 104, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 29 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	7	527,926	216,639
Cost of sales and services		(424,227)	(200,113)
Gross profit		103,699	16,526
Other income and other gains and losses	8	1,806	8,791
Gain from bargain purchase	38	-	88,131
Distribution and selling expenses		(1,606)	(3,311)
Administrative expenses		(38,843)	(56,613)
Gain on disposal of subsidiaries	40	14,122	-
Finance costs	13	(33,407)	(20,533)
Profit before income tax expense		45,771	32,991
Income tax (expense)/credit	14	(20,538)	3,474
Profit for the year from continuing operations		25,233	36,465
Discontinued operation			
(Loss)/profit for the year from discontinued operation	16	(23,070)	5,669
Profit for the year	9	2,163	42,134
Other comprehensive income:			
Reclassification adjustment of translation reserve upon disposal of subsidiaries	40	(18,396)	-
Exchange differences arising on translation of foreign operations		(97,045)	131,494
Total comprehensive income for the year		(113,278)	173,628
(Loss)/profit for the year attributable to:			
– Owners of the Company	15	(17,624)	44,125
– Non-controlling interests		19,787	(1,991)
		2,163	42,134
Total comprehensive income attributable to:			
– Owners of the Company		(91,046)	124,416
– Non-controlling interests		(22,232)	49,212
		(113,278)	173,628
(Loss)/earnings per share from continuing and discontinued operations	17		
– Basic		HK(3.0) cents	HK8.1 cents
– Diluted		HK(3.0) cents	HK7.5 cents
Earnings per share from continuing operations	17		
– Basic		HK0.9 cent	HK7.0 cents
– Diluted		HK0.9 cent	HK6.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	18	251,642	178,515
Mining right	19(a)	2,440,371	2,617,994
Customer base	19(b)	-	1,237
Prepaid lease payments	20(a)	6,427	1,999
Prepayments for land use rights	20(b)	-	567
Deposits paid for construction of a plant	21	21,395	-
		2,719,835	2,800,312
Current assets			
Inventories	22	68,171	70,759
Trade and other receivables, deposits and prepayments	23	73,185	19,622
Bills receivable	23	2,070	530
Amounts due from related parties	39(b)	83,743	13,561
Financial assets at fair value through profit or loss	25	19	1,162
Bank balances and cash	24	21,975	57,316
		249,163	162,950
Non-current asset held for sale	42	-	6,713
		249,163	169,663
Current liabilities			
Sales deposits received	26	25,401	6,808
Trade and other payables and accruals	26	98,165	33,851
Bills payable	26	4,419	12,924
Provision for close down, restoration and environmental costs	26	1,653	1,440
Secured bank borrowings	27	10,107	-
Amounts due to related parties	39(b)	12,915	18,200
Tax payable		37,244	5,694
Obligation under finance leases	34	44,672	18,225
		234,576	97,142
Net current assets		14,587	72,521
Total assets less current liabilities		2,734,422	2,872,833
Non-current liabilities			
Deferred tax	28	603,682	647,605
Secured bank borrowings	27	15,308	-
Convertible bonds	29	157,991	140,326
Promissory notes	30	47,858	110,211
Obligation under finance leases	34	69,475	28,883
Amount due to a related party	39(b)	7,578	-
		901,892	927,025
Net assets		1,832,530	1,945,808

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	31	58,371	58,371
Reserves		942,089	1,033,135
Equity attributable to owners of the Company		1,000,460	1,091,506
Non-controlling interests		832,070	854,302
Total equity		1,832,530	1,945,808

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2012.

Rashid Bin Maidin
Director

Ng Xinwei
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	37	23,126	39,021
Deposits paid for construction of a plant	21	21,395	-
		44,521	39,021
Current assets			
Amounts due from subsidiaries	37	1,072,495	1,144,410
Bank balances and cash	24	87	137
		1,072,582	1,144,547
Current liabilities			
Accruals and other payables		3,108	3,300
Amounts due to subsidiaries	37	26,899	1,619
		30,007	4,919
Net current assets		1,042,575	1,139,628
Total assets less current liabilities		1,087,096	1,178,649
Non-current liabilities			
Convertible bonds	29	157,991	140,326
Promissory notes	30	47,858	110,211
		205,849	250,537
Net assets		881,247	928,112
Capital and reserves			
Share capital	31	58,371	58,371
Reserves	33	822,876	869,741
		881,247	928,112

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2012.

Rashid Bin Maidin
Director

Ng Xinwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Convertible preference shares reserve HK$'000 (Note (iii))	Convertible bonds equity reserve HK$'000 (Note (iii))	Translation reserve HK$'000 (Note (v))	Share option reserve HK$'000 (Note (iv))	(Accu-mulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010	38,763	131,366	122,652	-	-	14,973	3,641	(13,179)	298,216	-	298,216
Profit for the year	-	-	-	-	-	-	-	44,125	44,125	(1,991)	42,134
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	80,291	-	-	80,291	51,203	131,494
Total comprehensive income for the year	-	-	-	-	-	80,291	-	44,125	124,416	49,212	173,628
Business combinations (Note 38)	-	-	-	-	-	-	-	-	-	805,090	805,090
Issue of convertible bonds (Note 29)	-	-	-	-	317,737	-	-	-	317,737	-	317,737
Issue of shares upon partial conversion of convertible bonds (Notes 29 and 31)	17,400	186,147	-	-	(123,245)	-	-	-	80,302	-	80,302
Issue of convertible preference shares (Note 32)	-	-	-	248,579	-	-	-	-	248,579	-	248,579
Share-based payment (Note 36)	-	-	-	-	-	-	6,094	-	6,094	-	6,094
Issue of shares on exercise of share options	2,208	17,595	-	-	-	-	(3,641)	-	16,162	-	16,162
At 31 March 2011	58,371	335,108	122,652	248,579	194,492	95,264	6,094	30,946	1,091,506	854,302	1,945,808
Loss for the year	-	-	-	-	-	-	-	(17,624)	(17,624)	19,787	2,163
Other comprehensive income for the year:											
Reclassification adjustment of translation reserve upon disposal of subsidiaries	-	-	-	-	-	(18,396)	-	-	(18,396)	-	(18,396)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(55,026)	-	-	(55,026)	(42,019)	(97,045)
Total comprehensive income for the year	-	-	-	-	-	(73,422)	-	(17,624)	(91,046)	(22,232)	(113,278)
Release of share option reserve upon lapse of share options	-	-	-	-	-	-	(540)	540	-	-	-
At 31 March 2012	58,371	335,108	122,652	248,579	194,492	21,842	5,554	13,862	1,000,460	832,070	1,832,530

Notes:

(i) Share premium
The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Contributed surplus
The Group's balance represents the credit arising from a previous capital reduction exercise.

(iii) Convertible preference shares reserve and convertible bonds equity reserve
The balance represents the equity component of outstanding convertible preference shares and outstanding convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible preference shares and convertible bonds in Notes 4(i)(vi) and 4(i)(iv), respectively.

(iv) Share option reserve
Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 4(p).

(v) Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(n).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Profit before income tax expense from continuing operations	45,771	32,991
(Loss)/profit before income tax expense from discontinued operation	(23,101)	5,669
	22,670	38,660
Adjustments for:		
Depreciation of property, plant and equipment	30,820	18,699
Release of prepaid lease payments	62	69
Write-off of customer base	508	-
Amortisation of mining right and customer base	69,775	22,112
Dividend income from investments held-for-trading	(1)	(93)
Provision for close down, restoration and environmental costs	624	1,440
Loss/(gain) on disposal of property, plant and equipment	25,737	(5,004)
Gain on disposal of asset classified as held for sale	(693)	-
Impairment loss/(write back of impairment loss) on trade receivables	152	(3,067)
Gain on disposal of prepaid lease payments	-	(165)
Loss/(gain) on fair value changes on financial assets at fair value through profit or loss	193	(591)
Impairment loss on property, plant and equipment	-	4,844
Interest income	(436)	(546)
Write-off of property, plant and equipment	409	-
Impairment loss on customer base	-	235
Finance costs	36,067	21,386
Gain from bargain purchase	-	(88,131)
Share-based payment expenses	-	6,094
Gain on disposal of subsidiaries	(14,122)	-
Operating cash flows before movements in working capital	171,765	15,942
Decrease/(increase) in inventories	859	(15,863)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(56,919)	39,878
Increase in bills receivable	(1,540)	(198)
Increase in amounts due from related parties	(70,182)	(13,561)
Decrease in financial assets at fair value through profit or loss	-	19,485
Increase in trade and other payables and accruals	77,306	8,210
(Decrease)/increase in bills payable	(8,505)	2,680
Increase in sales deposits received	18,593	-
Increase in amounts due to related parties	1,407	6,994
Settlement of provision for close down, restoration and environmental costs	(154)	-
Effect of foreign exchange rate changes	7,062	-
Cash generated from operations	139,692	63,567
Income taxes paid	(2,056)	(1,334)
Interest paid	(7,569)	(2,873)
Net cash generated from operating activities	130,067	59,360

	2012 HK$'000	2011 HK$'000
Investing activities		
Disposal of subsidiaries	(27,455)	-
Proceeds on disposal of property, plant and equipment	27,931	19,673
Proceeds on disposal of prepaid lease payments	-	2,038
Proceeds on disposal of asset classified as held for sale	7,406	-
Interest received	436	546
Dividend income from investments held for trading	1	93
Decrease in pledged bank deposits	-	4,000
Decrease in restricted bank deposits	-	22,891
Purchase of property, plant and equipment	(211,355)	(50,092)
Addition in mining right	(16,025)	(405)
Addition in prepaid lease payments	(3,923)	(1,227)
Deposits paid for construction of a plant	(21,395)	-
Issue costs of convertible bonds and convertible preference shares	-	(1,595)
Acquisition of businesses	-	(157,684)
Net cash used in investing activities	(244,379)	(161,762)
Financing activities		
New bank borrowings raised/(repayment of bank borrowings)	25,415	(19,925)
Proceeds from issue of shares upon exercise of share options	-	16,162
Addition in obligation under financial leases	73,856	29,843
Partial redemption of principal and settlement of interest expenses of promissory notes	(20,000)	-
Net cash generated from financing activities	79,271	26,080
Net decrease in cash and cash equivalents	(35,041)	(76,322)
Cash and cash equivalents at beginning of the year	57,316	132,224
Effect of foreign exchange rate changes	(300)	1,414
Cash and cash equivalents at end of the year, representing bank balances and cash	21,975	57,316

1. GENERAL

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

The Company is an investment holding company. The principal activities of the Company's subsidiaries are described in Note 37. The Company and its subsidiaries are collectively referred to as the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2011 and early adoption of HKFRSs

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition-date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationship of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 39.

In addition, as explained below, the Group has early adopted HK(IFRIC) – Interpretation 20 "Stripping Costs of the Production Phase of a Surface Mine" during the current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

(a) Adoption of new/revised HKFRSs – effective 1 April 2011 and early adoption of HKFRSs (Cont’d)

Early adoption of HK (IFRIC) – Interpretation 20 “Stripping Costs of the Production Phase of a Surface Mine”

HK(IFRIC) – Interpretation 20 “Stripping Costs of the Production Phase of a Surface Mine” has been applied in advance of its effective date (annual periods beginning on or after 1 January 2013). Under the Interpretation, stripping activities carried out in the production phase of a surface mine may give rise to two benefits: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation requires that costs of stripping activity are accounted for in accordance with the principles in HKAS 2 Inventories to the extent that the benefit from stripping activity is realised in the form of inventory produced. The costs of stripping activity that provide a benefit in the form of improved access to ore are recognised as a non-current stripping activity asset when certain criteria are met. This asset will be accounted for as an addition or enhancement to an existing asset and is classified as tangible or intangible according to the nature of the existing asset of which it forms part. The stripping activity asset is measured initially at cost and subsequently in the same way as the existing asset of which it forms part. It is depreciated or amortised on a systematic basis over the expected useful life of the component of the ore body that becomes more accessible as a result of the stripping activity.

The Group’s non-current stripping activity asset is measured initially at cost and subsequently depreciated or amortised over the expected useful life as detailed in Note 4(d) and Note 4(g) where appropriate. In accordance with HK(IFRIC) – Interpretation 20, the Interpretation has been applied to stripping costs incurred on or after 1 April 2010.

For the year ended 31 March 2012, stripping costs of HK$16,025,000 met the criteria of HK(IFRIC) – Interpretation 20 and were capitalised. Amortisation of HK$11,709,000 was charged during the year in respect of stripping activity assets.

The impacts on early adoption of this interpretation on earnings per share for the year are as follows:

From continuing and discontinued operations:
Increase in basic and diluted earnings per share by HK0.7 cent.

From continuing operations:
Increase in basic and diluted earnings per share by HK0.7 cent.

The Group has applied this Interpretation retroactively to 1 April 2010. This has no significant impact on the comparative periods presented.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 1 (Revised)	Clarification of the Requirements for Comparative Information[3]
Amendments to HKAS 16	Classification of Servicing Equipment[3]
Amendments to HKAS 32	Disclosure – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 32	Tax Effect of Distribution to Holders of Equity Instruments[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]

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

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (Cont'd)

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is the most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instrument in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Gain from bargain purchase

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the fair value of consideration transferred in a business combination, the excess is recognised in profit or loss as gain from bargain purchase on the acquisition date, after reassessment.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal group held for sale" in Note 4(t).

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

Buildings	Over the shorter of the leases, or the estimated useful life of the buildings of 50 years
Non-mining-related plant and machinery	6 – 25%
Mining-related plant and machinery	12.5 – 25%
Furniture, fixtures and equipment	20 – 25%
Motor vehicles	12.5 – 30%
Vessels	5%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Prepaid lease payments for leasehold land under operating leases

Prepaid lease payments for leasehold land under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost. The prepaid lease payments for leasehold land under operating leases are amortised over the period of the lease on a straight-line basis as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Mining right

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Mining right is stated at cost less accumulated amortisation and any impairment losses and is amortised on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mining right. Stripping costs incurred during the production phase are variable production costs that are included in the cost of inventories produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised into mining right. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

(h) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, mining right, customer base, prepaid lease payments and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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 in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in profit or loss immediately.

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term, including derivatives.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the effect of discounting would be immaterial, in which case, the loans and receivables are stated at cost less impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are financial liabilities at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(iii) Financial liabilities (Cont'd)

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade, bills and other payables, borrowings, amounts due to related parties, obligation under financial leases, promissory notes and the liability component of convertible bonds issued by the Group, are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case, they are carried at cost. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Compound Instruments

The component parts of compound instruments, comprising convertible bonds issued by the Group, are classified separately as financial liability and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs were apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to equity. The portion relating to the liability component is included in the carrying amount of the liability portion and amortised over the period of the convertible instruments using the effective interest method.

In subsequent periods, the equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

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

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(k) Inventories

Coal inventories are calculated using the weight average method and other inventories are calculated using the first-in-first-out method. Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Revenue recognition

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

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

Revenue from time charter, which is of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Interest income from a financial asset including financial assets at fair value through profit or loss 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 assets' net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

(m) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Income tax (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(n) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

(o) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Equity-settled share-based payment transactions

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share-based payments, a liability is recognised at the fair value of the goods or services received.

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying amount of the provision and the cost of inventory produced in the period. Provision for close down and restoration costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at end of each reporting period to reflect changes in conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

(t) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal group (other than investment properties and financial assets) classified as held for sale are measured at the lower of (i) their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and (ii) fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised respectively.

(u) Customer base

Customer base had a contract life of 2 years was stated at cost less any impairment losses and amortised on the straight-line basis over its contract life.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, 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 differ may 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.

(a) Provision for close down, restoration and environmental costs

The provision is reviewed regularly to ensure that it properly reflects the remaining obligations arising from the current and past mining activities. Provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimate of future expenditures, after taking into account existing relevant regulations in Indonesia. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time. Details of the Group's provision for close down, restoration and environmental costs are set out in Note 26.

(b) Reserve estimates

Coal reserves are amortised on the units-of-production method. Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the followings:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.
(ii) Depreciation, depletion and amortisation charges in profit or loss may change where such charges are determined to by the units-of-production basis, or where the useful economic lives of assets change.
(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

(c) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment, prepaid lease payments and mining right were carried as cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. In addition, the Company had also assessed the impairment on its interests in subsidiaries, details of which are set out in Note 37.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(d) Management judgement on recognition of assets in relation to finance leases

Management exercised judgement to recognise certain assets in relation to finance leases that the actual and economic interests of the assets have been transferred to the Group under the finance lease arrangements as the risks and rewards of the ownership of assets have been substantially transferred to the Group.

(e) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its items of property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Capitalised stripping costs

The Group capitalises stripping (waste removal) costs incurred during the production phase to the extent that the actual waste to ore ratio is higher than the expected ratio. This calculation requires the use of judgements and estimates relating to the expected tonnes of waste to be removed over the life of the identified mining area (the "Identified Mining Area") and the expected economically recoverable reserves to be extracted as a result. Changes in a mine's life and design of the Identified Mining Area will usually result in changes to the average life of mine strip ratio of the Identified Mining Area. These changes are accounted for prospectively.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary of details of the operating segments is as follows:

(i) Mining segment comprised the mining, exploration and sale of coal.
(ii) Textile segment comprised the manufacture and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services.
(iii) Shipping segment comprised the time chartering of vessels in Singapore, which was discontinued after the Group's disposal of all of its vessels registered in Singapore during the year, details of which are set out in Note 16.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operation decision-makers for assessment of segment performance.

6. SEGMENT REPORTING (Cont'd)

(a) Reportable segments

	Continuing operations						Discontinued operation			
	Mining		Textile		Total		Shipping		Total	
	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
Reportable segment revenue	427,225	72,681	100,701	143,958	527,926	216,639	8,373	18,602	536,299	235,241
Intersegment sales	(11,298)	-	-	2,670	(11,298)	2,670	11,298	-	-	2,670
	415,927	72,681	100,701	146,628	516,628	219,309	19,671	18,602	536,299	237,911
Elimination of intersegment sales									-	(2,670)
									536,299	235,241
Reportable segment profit/(loss)	70,568	79,134	1,737	(15,107)	72,305	64,027	(23,101)	5,669	49,204	69,696
Gain from bargain purchase	-	88,131	-	-	-	88,131	-	-	-	88,131
Interest income	41	3	395	543	436	546	-	-	436	546
Finance costs	(3,001)	(1,828)	(134)	(192)	(3,135)	(2,020)	(2,660)	(853)	(5,795)	(2,873)
Depreciation and amortisation	(92,905)	(27,397)	(5,235)	(9,729)	(98,140)	(37,126)	(2,455)	(3,685)	(100,595)	(40,811)
(Loss)/gain on fair value changes on financial assets at fair value through profit or loss	-	-	(193)	591	(193)	591	-	-	(193)	591
(Impairment loss)/write-back of impairment loss on trade receivables	-	-	(152)	3,067	(152)	3,067	-	-	(152)	3,067
Impairment loss on property, plant and equipment	-	-	-	(1,544)	-	(1,544)	-	-	-	(1,544)
Reversal of bad debt written off	-	-	98	-	98	-	-	-	98	-
Reportable segment assets	2,860,664	2,703,268	71,215	180,912	2,931,879	2,884,180	13,707	84,374	2,945,586	2,968,554
Additions to non-current assets	227,374	2,553,912	6	397	227,380	2,554,309	-	66,261	227,380	2,620,570
Non-current asset held for sale	-	-	-	-	-	-	-	6,713	-	6,713
Reportable segment liabilities	906,376	714,184	20,402	40,220	926,778	754,404	67	15,100	926,845	769,504

6. SEGMENT REPORTING (Cont'd)

(b) Geographical information

The Group's revenue from external customers from continuing and discontinued operations and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets") are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
The People's Republic of China (the "PRC") and Hong Kong	100,701	143,958	29,800	52,905
Singapore	79,759	18,602	-	59,785
Indonesia	355,839	72,681	2,690,035	2,687,622
	536,299	235,241	2,719,835	2,800,312

The revenue information from continuing and discontinued operations above is based on the location of customers.

Information about major customers

Revenue from one customer (2011: one customer) of the Group's mining segment amounted to HK$314,221,000 (2011: HK$51,599,000) which represented 10% or more of the Group's revenue for the current year.

(c) Reconciliation of reportable segment profit, assets and liabilities

	2012 HK$'000	2011 HK$'000
Profit before income tax expense (including continuing and discontinued operations):		
Reportable segment profit	49,204	69,696
Gain on disposal of subsidiaries	14,122	-
Unallocated corporate expenses	(13,044)	(12,523)
Unallocated finance costs	(27,612)	(18,513)
Consolidated profit before income tax expense	22,670	38,660

	2012 HK$'000	2011 HK$'000
Assets:		
Reportable segment assets	2,945,586	2,968,554
Unallocated corporate assets	23,412	1,421
Consolidated total assets	2,968,998	2,969,975
Liabilities:		
Reportable segment liabilities	926,845	769,504
Unallocated convertible bonds	157,991	140,326
Unallocated promissory notes and interest payable	49,658	112,711
Unallocated corporate liabilities	1,974	1,626
Consolidated total liabilities	1,136,468	1,024,167

7. REVENUE

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

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations:		
Sale of coals	427,225	72,681
Sale of other goods	100,701	143,958
	527,926	216,639
Discontinued operation:		
Time charter income (Note 16)	8,373	18,602

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations:		
(Loss)/gain on disposal of property, plant and equipment	(1,449)	5,004
(Impairment loss)/write-back of impairment loss on trade receivables	(152)	3,067
Gain on disposal of prepaid lease payments	-	165
(Loss)/gain on fair value changes on financial assets at fair value through profit or loss	(193)	591
Impairment loss on property, plant and equipment	-	(1,544)
Other income	1,533	962
Sale of scrap materials	1,942	-
Reversal of bad debt written off	98	-
Interest income	436	546
Write-off of property, plant and equipment	(409)	-
	1,806	8,791

9. PROFIT FOR THE YEAR

Profit for the year (including continuing and discontinued operations) is arrived at after charging/(crediting):

	2012 HK$'000	2011 HK$'000
Cost of services	2,489	4,620
Cost of inventories	424,227*	199,996
	426,716	204,616
Staff costs (Note 10)	48,072*	58,491
Depreciation of property, plant and equipment (Note 18)	30,820*	18,699
Release of prepaid lease payments	62	69
Write-off of customer base (Note 19(b))	508	-
Amortisation of mining right (Note 19(a))	69,039#	20,936
Amortisation of customer base (Note 19(b))	736	1,176
Auditors' remuneration	1,320	1,170
Dividend income from investments held-for-trading	(1)	(93)
Impairment loss on customer base	-	235
Provision for close down, restoration and environmental costs (Note 26)	624*	1,440

9. PROFIT FOR THE YEAR (Cont'd)

* Cost of inventories includes HK$52,783,000 (2011: HK$33,974,000) relating to staff costs, depreciation of property, plant and equipment, and provision for close down, restoration and environmental costs for which the amounts are also included in the respective total amounts disclosed separately above.

The amortisation charge for mining right for the year is included in the Group's cost of inventories in the consolidated statement of comprehensive income except the amortisation charge of the Group in the amount of HK$6,886,000 (2011: HK$Nil) was recorded in cost of inventories which remained unsold as at end of the reporting period.

10. STAFF COSTS

	2012 HK$'000	2011 HK$'000
Staff costs (including directors' remuneration) comprises:		
Salaries and other benefits	46,614	50,884
Retirement benefit scheme contributions	1,458	1,513
Share-based payment expenses (Note 36)	-	6,094
	48,072	58,491

11. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the directors for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance was as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2012:					
Executive directors:					
Mr. Rashid Bin Maidin	90	-	-	-	90
Mr. Ng Xinwei	90	1,466	80	-	1,636
Ms. Lim Beng Kim, Lulu	90	-	-	-	90
Mr. Shiu Shu Ming	90	1,623	10	-	1,723
Ms. Elly Ong	38	-	-	-	38
Mr. Li Man Ching	-	1,875	12	-	1,887
Ms. Li Mei Lin	-	1,500	15	-	1,515
Non-executive director:					
Mrs. Chen Chou Mei Mei	90	-	-	-	90
Independent non-executive directors:			-	-	
Mr. Chong Lee Chang	90	-	-	-	90
Mr. Chan Cheong Yee	90	-	-	-	90
Mr. Siu Kin Wai	90	-	-	-	90
	758	6,464	117	-	7,339

11. DIRECTORS' REMUNERATION (Cont'd)

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Share-based payments HK$'000	Total HK$'000
2011:					
Executive directors:					
Mr. Rashid Bin Maidin	54	-	-	-	54
Mr. Ng Xinwei	54	593	12	540	1,199
Ms. Lim Beng Kim, Lulu	74	-	-	295	369
Mr. Shiu Shu Ming	37	742	12	-	791
Ms. Elly Ong	54	-	-	540	594
Mr. Li Man Ching	-	4,575	12	-	4,587
Ms. Li Mei Lin	-	4,500	48	-	4,548
Mr. Li Man Shun	-	478	-	-	478
Mr. Fung Chi Ki	-	315	5	-	320
Non-executive director:					
Mrs. Chen Chou Mei Mei	69	-	-	-	69
Independent non-executive directors:					
Mr. Chong Lee Chang	69	-	-	-	69
Mr. Chan Cheong Yee	69	-	-	-	69
Mr. Siu Kin Wai	54	-	-	-	54
Mr. Tsui Wing Yin	54	-	-	-	54
Mr. So Kin Wah	54	-	-	-	54
Mr. Lee Pui Shing	54	-	-	-	54
	696	11,203	89	1,375	13,363

None of the directors has waived or agreed to waive any emolument paid or payable by the Group during the year ended 31 March 2012 (2011: HK$Nil).

12. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Of the five individuals with highest emoluments in the Group, four (2011: five) were directors of the Company, whose emoluments are included in the disclosures in Note 11 above. The emolument of the remaining one (2011: Nil) individual was as follow:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	1,500	-

The emolument was within the band between HK$1,000,001 and HK$1,500,000.

13. FINANCE COSTS

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations:		
Imputed interest on convertible bonds (Note 29)	17,665	13,625
Imputed interest on promissory notes (Note 30)	9,947	4,888
Interest charged under finance leases*	4,770	1,210
Interest on amount due to non-controlling owner of a subsidiary	886	618
Interest on secured bank borrowings wholly repayable within five years	139	192
	33,407	20,533

* Included in the above is interest of HK$1,464,000 (2011: HK$985,000) charged under finance lease arrangements entered into between (i) the Group; and (ii) the non-controlling owner of a subsidiary and its related companies.

14. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represents:

	2012 HK$'000	2011 HK$'000
Continuing operations:		
Current tax – Hong Kong		
– over-provision in prior years	(274)	-
Current tax – overseas		
– tax for the year	33,911	1,691
	33,637	1,691
Deferred tax (Note 28)		
– tax for the year	(13,099)	(5,165)
Income tax expense/(credit)	20,538	(3,474)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit. No provision for Hong Kong profits tax was made for the years ended 31 March 2012 and 2011 as the Company and its respective subsidiaries in Hong Kong incurred tax loss for both years.

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

14. INCOME TAX EXPENSE/(CREDIT) (Cont'd)

Income tax expense/(credit) for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before income tax expense (including continuing and discontinued operations)	22,670	38,660
Tax calculated at the domestic income tax rate of 16.5% (2011: 16.5%)	3,741	6,379
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,559	1,262
Tax effect of expenses not deductible for tax purpose	44,924	6,164
Tax effect of income not taxable for tax purpose	(34,377)	(17,698)
Utilisation of tax losses previously not recognised	-	(2,400)
Tax effect of tax losses not recognised	1,698	2,416
Tax effect of deductible temporary differences not recognised	236	403
Over-provision in prior years	(274)	-
Income tax expense/(credit) for the year	20,507	(3,474)
Attributable to:		
Continuing operations	20,538	(3,474)
Discontinued operation (Note 16)	(31)	-
	20,507	(3,474)

15. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Loss)/profit for the year attributable to owners of the Company includes loss of approximately HK$2,994,000 (2011: HK$26,830,000) which has been dealt with in the financial statements of the Company.

16. DISCONTINUED OPERATION

During the year, the Group has disposed of all of its vessels registered in Singapore and the Group did not hold any vessel for time charting business in Singapore as at 31 March 2012. During the year, the Group ceased its operation in chartering of vessels in Singapore (the "Discontinued Operation"). Accordingly, this segment was classified as a discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The revenue, results and cash flows of the Discontinued Operation were as follows:

16. DISCONTINUED OPERATION (Cont'd)

	2012 HK$'000	2011 HK$'000
Revenue (Note 7)	8,373	18,602
Cost of services	(2,489)	(4,503)
Gross profit	5,884	14,099
Other losses	(196)	(3,535)
Administrative expenses	(2,534)	(4,042)
Finance costs	(2,660)	(853)
Loss on disposal of properties, plant and equipment	(24,288)	-
Gain on disposal of asset classified as held for sale	693	-
(Loss)/profit before income tax expense	(23,101)	5,669
Income tax credit (Note 14)	31	-
(Loss)/profit for the year from the Discontinued Operation	(23,070)	5,669
Operating cash inflow/(outflow)	1,933	(37,020)
Investing cash inflow	9,947	45,886
Financing cash outflow	(14,286)	(14,279)
Total cash outflow	(2,406)	(5,413)

For the purpose of presenting the Discontinued Operation, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

17. (LOSS)/EARNINGS PER SHARE

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

From continuing and discontinued operations

	2012 HK$'000	2011 HK$'000
(Loss)/earnings		
(Loss)/earnings attributable to owners of the Company for the purposes of basic (loss)/earnings per share:		
From continuing operations	5,446	38,456
From discontinued operation	(23,070)	5,669
	(17,624)	44,125
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	-	13,625
(Loss)/earnings for the purposes of diluted (loss)/earnings per share	(17,624)	57,750

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share		
Effect of dilutive potential ordinary shares:	583,706	547,580
– Convertible bonds	-	226,438
– Share options	-	712
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	583,706	774,730

17. (LOSS)/EARNINGS PER SHARE (Cont'd)

From continuing operations

	2012 HK$'000	2011 HK$'000
Earnings for the purposes of basic earnings per share from continuing operations	5,446	38,456
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	-	13,625
Earnings for the purposes of diluted earnings per share	5,446	52,081

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share for continuing and discontinued operations.

From Discontinued Operation

Basic loss per share for the Discontinued Operation is HK4.0 cents (2011: basic earnings per share of HK1.0 cent) per share and diluted loss per share is HK4.0 cents (2011: diluted earnings per share of HK0.7 cent), based on the loss for the year from the Discontinued Operation of HK$23,070,000 (2011: profit of HK$5,669,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted (loss)/earnings per share of the continuing and discontinued operations.

As the exercise prices of the Company's convertible preference shares and share options were higher than the average market price for current year, the conversion of such potential dilutive shares is not assumed in the computation of diluted (loss)/earnings per share for the current year.

The computation of diluted (loss)/earnings per share for the current year does not assume the conversion of the Company's outstanding convertible bonds as they are anti-dilutive.

18. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK$'000	Non-mining-related plant and machinery HK$'000	Mining-related plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
Cost							
At 1 April 2010	24,451	252,456	-	39,260	13,447	-	329,614
Exchange adjustments	14	7,520	960	263	262	7,567	16,586
Additions	431	34,208	11,180	1,645	1,665	963	50,092
Business combinations (Note 38)	3	11,505	9,437	367	758	62,845	84,915
Transfer to non-current asset held for sale (Note 42)	-	-	-	-	-	(10,830)	(10,830)
Disposals	(14,572)	(56,799)	-	-	(5,240)	-	(76,611)
At 31 March 2011	10,327	248,890	21,577	41,535	10,892	60,545	393,766
Reclassification	-	(47,122)	47,122	-	-	-	-
Exchange adjustments	(82)	3,597	(11,618)	(151)	(307)	317	(8,244)
Additions	1,773	-	199,243	3,920	6,419	-	211,355
Disposals	-	(83,726)	-	(23,450)	(888)	(60,862)	(168,926)
Disposal of subsidiaries (Note 40)	-	(113,111)	-	(4,378)	(3,484)	-	(120,973)
Write off	-	(2,052)	-	-	-	-	(2,052)
At 31 March 2012	12,018	6,476	256,324	17,476	12,632	-	304,926
Accumulated depreciation and impairment							
At 31 March 2010	5,577	197,059	-	38,312	11,959	-	252,907
Exchange adjustments	1	4,126	66	199	163	305	4,860
Provided for the year	496	12,168	2,111	485	930	2,509	18,699
Impairment loss	-	1,544	-	-	-	3,300	4,844
Transfer to non-current asset held for sale (Note 42)	-	-	-	-	-	(4,117)	(4,117)
Eliminated on disposals	(4,446)	(52,808)	-	-	(4,688)	-	(61,942)
At 31 March 2011	1,628	162,089	2,177	38,996	8,364	1,997	215,251
Reclassification	-	(4,005)	4,005	-	-	-	-
Exchange adjustments	(4)	3,155	(1,215)	50	45	11	2,042
Provided for the year	361	4,798	22,013	1,026	903	1,719	30,820
Disposal of subsidiaries (Note 40)	-	(86,780)	-	(4,378)	(3,484)	-	(94,642)
Eliminated on disposals	-	(71,138)	-	(22,791)	(888)	(3,727)	(98,544)
Write off	-	(1,643)	-	-	-	-	(1,643)
At 31 March 2012	1,985	6,476	26,980	12,903	4,940	-	53,284
Net carrying amount							
At 31 March 2012	10,033	-	229,344	4,573	7,692	-	251,642
At 31 March 2011	8,699	86,801	19,400	2,539	2,528	58,548	178,515

18. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31 March 2012, the net carrying amounts of the Group's vessels, motor vehicles and plant and machinery held under finance leases amounted to HK$Nil (2011: HK$29,265,000), HK$7,460,000 (2011: HK$1,753,000) and HK$127,483,000 (2011: HK$40,039,000) respectively.

As at 31 March 2012, the Group's mining-related-plant and machinery with an aggregate carrying amount of HK$27,508,000 (2011: HK$Nil) were pledged to secure bank borrowings of the Group. The Group has also pledged buildings with an aggregate net carrying amount of approximately HK$6,717,000 (2011: HK$6,884,000) to secure banking facilities of the Group.

During the prior year, certain items were specifically identified to be impaired. Impairment loss of HK$4,844,000 (calculated by comparing net carrying value of the assets with the recoverable amount using fair value less costs to sell) had been recognised in respect of these assets. During the prior year, the directors also conducted a review of the Group's other property, plant and equipment (the recoverable amounts of which had been determined based on value in use) and no further impairment loss was considered necessary as at 31 March 2011.

During the year, the Group's property, plant and equipment with an aggregate carrying value of HK$1,764,000 were disposed of to a former subsidiary of the Group at a total consideration of HK$9,897,000. The consideration has not yet been received at the end of reporting period.

19(a). MINING RIGHT

	HK$'000
Cost	
At 1 April 2010	-
Business combinations (Note 38)	2,480,178
Additions	405
Exchange adjustments	159,006
At 31 March 2011	2,639,589
Additions	16,025
Exchange adjustments	(128,092)
At 31 March 2012	2,527,522
Accumulated amortisation	
At 1 April 2010	-
Amortisation for the year	20,936
Exchange adjustments	659
At 31 March 2011	21,595
Amortisation for the year	69,039
Exchange adjustments	(3,483)
At 31 March 2012	87,151
Net carrying value	
At 31 March 2012	2,440,371
At 31 March 2011	2,617,994

19(a). MINING RIGHT (Cont'd)

The mining right relating to the cash generating unit of coal mining (the "Coal Mining CGU") which was acquired as part of the acquisition of the 60% equity interests in PT Rimau Indonesia ("PTRI") during the prior year was initially recognised at its fair value on acquisition with reference to professional valuations performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. At subsequent reporting periods, mining right is measured using the cost model. Details of the business combination are set out in Note 38.

Amortisation is provided to write off the cost of the mining right using the units-of-production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right till all proven and probable mineral reserves have been mined.

Mining right as at 31 March 2012 include stripping activity assets of HK$16,025,000 (2011: HK$Nil) in relation to the Group's mine.

Details of the mining right of the Group at end of reporting period are as follows:

Mining right	Location	Expiry date
Open Cut Coal Resources and Reserves	Close to the town of Tamiang Layang, in the Barito Timur Regency, Central Kalimantan, Indonesia	December 2029

(b). CUSTOMER BASE

Group

	HK$'000
Cost	
At 1 April 2010	-
Business combinations (Note 38)	2,453
Exchange adjustments	269
At 31 March 2011	2,722
Write off during the year (Note 9)	(2,736)
Exchange adjustments	14
At 31 March 2012	-
Accumulated amortisation and impairment	
At 1 April 2010	-
Amortisation for the year	1,176
Impairment loss (Note 9)	235
Exchange adjustments	74
At 31 March 2011	1,485
Amortisation for the year	736
Write off during the year (Note 9)	(2,228)
Exchange adjustments	7
At 31 March 2012	-
Net carrying value	
At 31 March 2012	-
At 31 March 2011	1,237

20. PREPAID LEASE PAYMENTS AND PREPAYMENTS FOR LAND USE RIGHTS

(a) As at 31 March 2012, the Group's prepaid lease payments represent leasehold land held in Indonesia under medium-term land use rights and are analysed for reporting purpose as follows:

Group	2012 HK$'000	2011 HK$'000
Non-current assets	6,427	1,999

(b) The balances represented prepayments made for acquisition of the rights to use pieces of land located in Indonesia, which were stated at cost less any impairment losses.

21. DEPOSITS PAID FOR CONSTRUCTION OF A PLANT

Group and Company

The balances represented deposits of HK$21,395,000 paid to PT Total Sinergy International ("TSI"), which is beneficially 25.5%-owned by a shareholder of the Company and 25.5%-owned by a holder of convertible bonds of the Company, in relation to construction of a plant of the Group (i.e. GEO-COAL Plant) with the coal upgrading technology namely GEO-COAL Technology which is developed and owned by TSI and the amounts were classified in non-current assets as at 31 March 2012, details of which are set out in the Company's announcements dated 7 April 2011 and 23 June 2011. The delivery of the GEO-COAL Plant has not been made by the TSI to the Group as at end of reporting period. Further details are set out in Note 39(c).

22. INVENTORIES

Group	2012 HK$'000	2011 HK$'000
Coal	33,173	6,192
Ancillary materials, spare parts and small tools	-	913
Raw materials	26,062	57,887
Work in progress	8,936	5,767
	68,171	70,759

23. TRADE AND OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND BILLS RECEIVABLE

Included in the trade and other receivables, deposits and prepayments of the Group are net trade receivables of HK$32,728,000 (2011: HK$8,497,000).

The Group generally allows credit period of up to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of reporting period:

Group	2012 HK$'000	2011 HK$'000
0 – 60 days	27,192	7,203
61 – 90 days	264	649
91 – 120 days	843	15
Over 120 days	4,429	630
	32,728	8,497

23. TRADE AND OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND BILLS RECEIVABLE (Cont'd)

Before accepting any new customer, the Group will assess credit worthiness by customer. The customers are mostly renowned companies. Based on the past history, no significant recoverability problem is expected. Trade receivables that were neither past due nor impaired are customers who have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$9,274,000 (2011: HK$1,957,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days for both years.

Ageing of trade receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000
1 – 30 days	4,002	1,312
91 – 120 days	843	15
Over 120 days	4,429	630
	9,274	1,957

As at 31 March 2012, bills receivable are aged within one month (2011: one month).

Movement in impairment loss recognised

Group	2012 HK$'000	2011 HK$'000
Balance at the beginning of year	1,711	5,118
Impairment loss on trade receivables (Note 8)	152	-
Write-back of impairment loss (Note 8)	-	(3,067)
Amount written off as uncollectible	(513)	(340)
Balance at the end of the year	1,350	1,711

Included in the trade and other receivables, deposits and prepayments of the Group as at 31 March 2012 is a prepayment of HK$15,533,000 (2011: HK$Nil) paid to a related company of a non-controlling owner of a subsidiary.

24. BANK BALANCES AND CASH

Bank balances mainly represent fixed bank deposits with maturity less than three months. They carry interests at fixed rates which range from 0.01% to 3.00% (2011: 0.01% to 3.00%) per annum.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	2012 HK$'000	2011 HK$'000
Listed equity securities held for trading in:		
– Hong Kong	19	36
– PRC	-	1,126
	19	1,162

At the end of the reporting period, all financial assets at fair value through profit or loss were stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets.

26. SALES DEPOSITS RECEIVED, TRADE AND OTHER PAYABLES AND ACCRUALS, BILLS PAYABLE, AND PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

Included in trade and other payables and accruals of the Group as at 31 March 2012 are trade payables of HK$45,831,000 (2011: HK$8,214,000).

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

Group	**2012 HK$'000**	**2011 HK$'000**
0 – 60 days	28,469	5,935
61 – 90 days	188	853
Over 90 days	17,174	1,426
	45,831	8,214

The average credit period on purchases of goods is up to 90 days and certain suppliers grant longer credit period to the Group up to 120 days on case-by-case basis. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

As at 31 March 2012, bills payable are aged within four months (2011: four months).

Included in the sales deposits received of the Group as at 31 March 2012 are deposits of HK$22,226,000 (2011: HK$Nil) paid by a related company of a non-controlling owner of a subsidiary.

The current year provision for close down, restoration and environmental costs of HK$624,000 (2011: HK$1,440,000) (Note 9) in relation to the Group's mining right has been determined by the management and charged to profit or loss during the year. Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant Indonesia regulations, the Group was required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

The provision for close down, restoration and environmental clean-up costs has been determined by management based on their past experience and best estimate of expenditure. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions were updated accordingly. In the opinion of the Group, the above amounts might be requested to pay within twelve months from the end of the reporting period and therefore, the amounts have been classified under current liabilities.

Movement in provision for close down, restoration and environmental costs recognised

Group	**2012 HK$'000**	**2011 HK$'000**
Balance at the beginning of year	1,440	-
Provided for the year	624	1,440
Settlement during the year	(154)	-
Exchange adjustments	(257)	-
Balance at the end of the year	1,653	1,440

27. SECURED BANK BORROWINGS

Group	2012 HK$'000	2011 HK$'000
Secured bank borrowings	25,415	-
Bank borrowings are repayable as follows:		
On demand or within one year	10,107	-
After one year but within two years	10,490	-
After two years but within five years	4,818	-
	25,415	-
Amount due within one year included in in current liabilities	(10,107)	-
Amount due over one year included in non-current liabilities	15,308	-

The bank borrowings bear fixed interest rate of 11.25% per annum.

As at 31 March 2012, certain property, plant and equipment of the Group were pledged to secure the bank borrowings of the Group (Note 18).

As at 31 March 2012, the Group had available HK$7,705,000 (2011: HK$Nil) of undrawn committed banking facilities in respect of which all conditions precedent were met.

	2012 HK$'000	2011 HK$'000
Bank borrowings of the Group were denominated in:		
Indonesia Rupiah ("IDR")	3,840	-
United States dollars ("US$")	21,575	-
	25,415	-

28. DEFERRED TAX

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

Group	Mining right and customer base HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 31 March 2010	-	(972)	972	-
Business combinations (Note 38)	(613,355)	-	-	(613,355)
Credit/(charge) to profit or loss (Note 14)	5,165	(693)	693	5,165
Exchange adjustments	(39,415)	-	-	(39,415)
At 31 March 2011	(647,605)	(1,665)	1,665	(647,605)
Credit/(charge) to profit or loss (Note 14)	13,099	(274)	274	13,099
Exchange adjustments	30,824	-	-	30,824
At 31 March 2012	(603,682)	(1,939)	1,939	(603,682)

28. DEFERRED TAX (Cont'd)

At 31 March 2012, the Group has unused tax losses of HK$59,403,000 (2011: HK$49,111,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$11,752,000 (2011: HK$10,090,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$47,651,000 (2011: HK$39,021,000) due to the unpredictability of future profit streams.

29. CONVERTIBLE BONDS

On 4 June 2010, the Company issued zero-coupon convertible bonds (the "Convertible Bonds") at a total nominal value of HK$674,250,000 as part of the consideration of the business combinations (Note 38). The Convertible Bonds have a maturity period of ten years from the date of issue and can be converted into ordinary shares of the Company at HK$1.5 each at the holders' option. If the Convertible Bonds have not been converted, they will be redeemed at the tenth anniversary of the date of issue of the Convertible Bonds at par.

During the prior year, the Convertible Bonds in total nominal value of HK$261,000,000 have been converted into 174,000,000 ordinary shares of the Company. During the current year, there has been no conversion of the Convertible Bonds.

The carrying amount of the Convertible Bonds in issue was split into the equity and liability components. The fair value of the liability component was calculated using a market borrowing rate of 12.51% per annum at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in the convertible bonds equity reserve.

The fair value of the Convertible Bonds was valued by Greater China Appraisal Limited on the date of issue. The valuers adopted the binomial model in measuring the fair value of the conversion option. The major inputs into the binomial option pricing model were as follows:

	At 4 June 2010 (date of issue)
Expected volatility	58.79%
Risk-free rate	2.48%
Expected dividend yield	0%

As the Company had new businesses of coal industry and shipping industry in addition to the existing garment manufacturing industry upon the issue of the Convertible Bonds during the prior year, the expected volatility was estimated by the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies which have similar business nature.

The fair value of the Convertible Bonds, at the initial recognition, was HK$525,830,000 (Note 38), comprising equity component of HK$318,382,000 and liability component of HK$207,448,000. Balances of HK$317,737,000 (net of issue expenses of HK$645,000) and HK$207,003,000 (net of issue expenses of HK$445,000) were credited to convertible bonds equity reserve and liability component of the Convertible Bonds, respectively.

The movements on the liability component of the Convertible Bonds are as follows:

Group and Company	**2012 HK$'000**	**2011 HK$'000**
At beginning of the year	140,326	-
Fair value at inception, net of issue costs	-	207,003
Imputed interest expense (Note 13)	17,665	13,625
Conversion of shares of the Company	-	(80,302)
At end of the year	157,991	140,326

30. PROMISSORY NOTES

Group and Company	2012 HK$'000	2011 HK$'000
At beginning of the year	112,711	-
Fair value at inception (Note 38)	-	107,823
Partial redemption of principal and settlement of interest expenses	(73,000)	-
Imputed interest expense (Note 13)	9,947	4,888
At end of the year	49,658	112,711
Less: Interest payable included in other payables under current liabilities	(1,800)	(2,500)
Non-current portion	47,858	110,211

On 4 June 2010, promissory notes in the principal amount of HK$120,000,000 were issued by the Company as part of consideration for the business combinations (Note 38). The coupon interest rate of promissory notes is 2.5% per annum and the maturity period is two years from the date of issue, i.e. 3 June 2012. Interest is payable in arrears on the date falling upon each anniversary of this promissory note. The Company may repay any part of the principal amount of the promissory notes (in amounts of not less than HK$500,000 or should the outstanding principal amount be less than HK$500,000, the whole (but not part of it) thereof) at any time from the date of issue to the date immediately prior to the maturity date.

The fair value of the promissory notes at the issue date was HK$107,823,000. The effective interest rate of the promissory notes is determined to be 8.21% per annum.

During the year, promissory notes in an aggregate principal value of HK$70,000,000 were redeemed.

On 31 March 2012, the maturity date of the promissory notes with the remaining principal amount of HK$50,000,000 was extended to 3 June 2013, and therefore the related promissory notes with the carrying amount of HK$47,858,000 have been included in non-current liabilities at the end of reporting period.

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each:		
At 1 April 2010	5,000,000,000	500,000
Re-classification and re-designation into convertible preference share capital (Note (a))	(500,000,000)	(50,000)
At 31 March 2011 and 2012	4,500,000,000	450,000
Convertible preference shares of HK$0.10 each (the "CPS"):		
At 1 April 2010	-	-
Re-classification and re-designation from ordinary share capital (Note (a))	500,000,000	50,000
At 31 March 2011 and 2012	500,000,000	50,000
Issued and fully paid:		
At 1 April 2010	387,629,600	38,763
Issue of conversion shares (Note (b))	174,000,000	17,400
Exercise of share options (Note (c))	22,076,000	2,208
At 31 March 2011 and 2012	583,705,600	58,371

Notes:

(a) In prior year, the shareholders passed a special resolution to approve the re-classification and re-designation of the then existing authorised share capital of the Company of HK$500,000,000 divided into 5,000,000,000 ordinary shares into (i) 4,500,000,000 ordinary shares; and (ii) 500,000,000 CPSs.

(b) In prior year, there was a partial conversion of the Convertible Bonds in the principal amount of HK$261,000,000 with the corresponding equity component of HK$123,245,000 and liability component of HK$80,302,000. The Company has allotted and issued a total of 174,000,000 conversion shares to bondholder at the conversion price of HK$1.50 per conversion share (Note 29).

(c) In prior year, as a result of the exercise of share options under the Company's share option scheme, the Company allotted and issued 22,076,000 ordinary shares of HK$0.10 each for cash at the exercise price of HK$0.73 each per share.

32. CONVERTIBLE PREFERENCE SHARES

On 4 June 2010, the Company issued 240,000,000 CPSs at a total nominal value of HK$360,000,000 as part of the consideration for the business combinations (Note 38). The conversion price of the CPS is fixed at HK$1.5 per ordinary share and can be converted into ordinary shares without a maturity date. Neither the Company nor the holder of the CPS shall have any right to redeem the CPS, other than for the purpose of conversion of the CPS pursuant to the terms thereof. The CPS shall at all times rank (a) in priority to the ordinary shares of the Company and any other shares of the Company as to return of capital; and (b) pari passu with ordinary shares of the Company in issue as to dividends. The gross fair value of the CPS, at the initial recognition, was HK$249,084,000. An amount of HK$248,579,000, net of professional issue expenses of HK$505,000, was credited to the convertible preference shares reserve.

33. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible preference shares reserve HK$'000	Convertible bonds equity reserves HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	131,366	153,400	-	-	3,641	(40,160)	248,247
Loss and comprehensive income for the year	-	-	-	-	-	(27,772)	(27,772)
Issue of convertible bonds	-	-	-	317,737	-	-	317,737
Issue of shares upon partial conversion of convertible bonds	186,147	-	-	(123,245)	-	-	62,902
Issue of convertible preference shares	-	-	248,579	-	-	-	248,579
Share-based payment	-	-	-	-	6,094	-	6,094
Issue of shares on exercise of share options	17,595	-	-	-	(3,641)	-	13,954
At 31 March 2011	335,108	153,400	248,579	194,492	6,094	(67,932)	869,741
Loss and comprehensive income for the year	-	-	-	-	-	(46,865)	(46,865)
Release of share option reserve upon lapse of share options	-	-	-	-	(540)	540	-
At 31 March 2012	335,108	153,400	248,579	194,492	5,554	(114,257)	822,876

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation less amounts utilised on bonus issue of shares plus the credit arising from the capital reduction in 2001.

34. LEASES

Finance leases

Future lease payments are due as follows:

Group	Minimum lease payments 2012 HK$'000	Future interest 2012 HK$'000	Present value 2012 HK$'000
Not later than one year	55,489	10,817	44,672
Later than one year and not later than five years	86,626	17,151	69,475
	142,115	27,968	114,147

Group	Minimum lease payments 2011 HK$'000	Future interest 2011 HK$'000	Present value 2011 HK$'000
Not later than one year	22,221	3,996	18,225
Later than one year and not later than five years	31,905	3,022	28,883
	54,126	7,018	47,108

34. LEASES (Cont'd)

Finance leases (Cont'd)

The present value of future lease payments are analysed as:

Group	2012 HK$'000	2011 HK$'000
Current liabilities	44,672	18,225
Non-current liabilities	69,475	28,883
	114,147	47,108

As at 31 March 2012, included in the obligation under finance leases of the Group is an aggregate amount of HK$18,567,000 (2011: HK$25,768,000) which arises from the finance lease arrangements entered into between (i) the Group and (ii) the non-controlling owner of a subsidiary and its related companies.

Operating lease – lessee

The Group paid minimum lease payments of HK$2,845,000 (2011: HK$3,680,000) under operating leases in respect of rented premises.

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

Group	2012 HK$'000	2011 HK$'000
Within one year	1,794	4,009
In the second to fifth years inclusive	1,233	9,688
Over five years	-	9,380
	3,027	23,077

Operating lease payments represent rentals payable by the Group for certain of its office premises and factory premises. Leases of office premises are negotiated for an average term of 1 to 2 years with fixed rentals. Leases of factory premises are negotiated for an average term of 20 years. The yearly rentals are fixed for first 10-year period and will be escalated by 10% for every 10-year period thereafter and the leases are terminable with three-month to four-month notices.

Operating leases – lessor

The Group entered into time charter agreement with a customer to charter the Group's vessels in return for time charter income. The minimum time charter receivables under non-cancellable time charter agreement are as follows:

Group	2012 HK$'000	2011 HK$'000
Not later than one year	-	22,399

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	180,973	91,029
Financial assets at fair value through profit or loss, at fair value	19	1,162
Financial liabilities		
Financial liabilities, amortised cost	493,889	369,428

36. SHARE-BASED PAYMENT TRANSACTIONS

On 28 August 2002, the Company adopted the existing share option scheme (the "Scheme") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the board of directors (the "Board") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The Scheme will be ending on 27 August 2012.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date; and (iii) the nominal value of a share, subject to a maximum of 38,376,320 shares, representing approximately 10% of the issued share capital of the Company, as at the date of the approval of the refreshment of Scheme mandate limit.

The total number of shares which may be issued and to be issued upon exercise of all exercised and/or outstanding options granted to each of the Participants shall not in aggregate exceed 1% of the relevant class of securities of the Company in issue in any 12-month periods.

All options granted shall be accepted within 21 days and have taken effect when the duplicate letter comprising acceptance of the options signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

36. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

The following table discloses movements during both years in the Scheme:

Category	Date of grant	Exercisable period	Exercise price per share	Number of share options: At 1/4/2010	Granted	Exercised	At 31/3/2011	Granted/ exercised	Lapsed	At 31/3/2012
1. Directors										
Ms. Li Mei Lin	17/9/2007	17/9/2007 to 16/9/2010	0.77	3,100,000	-	(3,100,000)	-	-	-	-
Mr. Li Man Ching	26/7/2007	26/7/2007 to 25/7/2010	1.04	3,830,000	-	(3,830,000)	-	-	-	-
Mr. Li Man Shun	26/7/2007	26/7/2007 to 25/7/2011	1.04	2,380,000	-	(2,380,000)	-	-	-	-
Mr. Fung Chi Ki	2/11/2002	2/11/2002 to 1/11/2012	0.51	1,933,200	-	(1,933,200)	-	-	-	-
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	2,750,000	-	2,750,000	-	-	2,750,000
Ms. Lim Beng Kim, Lulu	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	1,500,000	-	1,500,000	-	-	1,500,000
Ms. Elly Ong	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	2,750,000	-	2,750,000	-	(2,750,000)	-
Mr. Shiu Shu Ming	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	2,750,000*	-	2,750,000	-	-	2,750,000
				11,243,200	9,750,000	(11,243,200)	9,750,000	-	(2,750,000)	7,000,000
2. Associate of shareholder										
Ms. Lim Chek Hwee	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	3,000,000	-	3,000,000	-	-	3,000,000
3. Employees in aggregate	2/11/2002	2/11/2002 to 1/11/2012	0.51	7,732,800	-	(7,732,800)	-	-	-	-
	2/4/2008	2/4/2008 to 1/4/2011	0.77	3,100,000	-	(3,100,000)	-	-	-	-
	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	1,500,000	-	1,500,000	-	-	1,500,000
				10,832,800	1,500,000	(10,832,800)	1,500,000	-	-	1,500,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.12	-	15,750,000	-	15,750,000	-	-	15,750,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	-	1,000,000	-	1,000,000	-	-	1,000,000
				-	16,750,000	-	16,750,000	-	-	16,750,000
				22,076,000	31,000,000	(22,076,000)	31,000,000	-	(2,750,000)	28,250,000

* The share options were granted to the grantee as an employee instead of a director at the date of grant.

The exercise price of share options outstanding at the end of the year was HK$1.12 (2011: HK$1.12) and their weighted average remaining contractual life was 8.42 years (2011: 9.42 years).

Of the total number of share options outstanding at the end of the year, 28,250,000 (2011: 31,000,000) were exercisable at the end of the year.

36. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

In respect of the share options exercised in prior year, the weighted average share price at the dates of exercise was HK$1.31. No option was exercised during the year.

The Group recognised a share-based payment expense of HK$6,094,000 during the year ended 31 March 2011. No share option was granted during the year ended 31 March 2012.

During the year, 2,750,000 share options were lapsed because of the retirement of a director. An amount of HK$540,000 was released from the share option reserve to retained profits accordingly.

37. INTERESTS IN SUBSIDIARIES

Company	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	84,948	84,948
Less: Impairment loss	(61,822)	(45,927)
Investments in subsidiaries, net of impairment loss	23,126	39,021

An aggregate accumulated allowance for investments in subsidiaries of HK$61,822,000 (2011: HK$45,927,000) was recognised as at 31 March 2012 because the related recoverable amounts of the investment costs in subsidiaries with reference to the values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts are reduced to their recoverable amounts as at 31 March 2011 and 2012.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of subsidiaries of the Company as at 31 March 2012:

Directly held by the Company

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of effective equity interests held by the Group 2012	2011	Principal activities
Sinoplex Limited	British Virgin Islands ("BVI")	US$75	100%	100%	Investment holding
Tiger Courage Limited	BVI	US$1	100%	100%	Investment holding
Fair Cypress Limited	BVI	US$1	100%	100%	Investment holding
Agritrade Resources Global Limited	BVI	US$100	100%	100%	Investment holding
Newtone Management Limited	Hong Kong	HK$1	100%	100%	Provision of administrative services
Estee International Limited	BVI	US$100	100%	n/a	Investment holding

37. INTERESTS IN SUBSIDIARIES (Cont'd)

Indirectly held by the Company

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of effective equity interests held by the Group		Principal activities
			2012	2011	
Dongguan Winscope Garment Manufacturing Co., Ltd. ("DG Winscope")	PRC	HK$15,000,000 (Note)	100%	100%	Inactive
Gold Sleeve Limited	BVI/Hong Kong	US$50,000	100%	100%	Sale of textile products
Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK$1,000,000	100%	100%	Sale of textile products
Kwong Tai Dyeing Co. Limited	Hong Kong	HK$3,000,000	100%	100%	Inactive
Unite Might Investment Limited	Hong Kong	US$500,000	100%	100%	Provision of administrative services
Sano Macao Commercial Offshore Company Limited	Macau	MOP1,000,000	100%	100%	Sale of textile products
Sano Trading Limited	BVI	US$100	100%	100%	Investment holding
Wincast Ltd.	BVI	US$1	100%	100%	Investment holding
Winscope Limited	BVI	US$1	100%	100%	Investment holding
KHI Trading Limited	United States of America	US$1,000	100%	100%	Sale of textile products
Allwealth Pacific Limited	BVI/PRC	US$100	100%	100%	Provision of dyeing, bleaching, setting and finishing services
(HK) Kwong Hing Knitting Fabric Trading Co. Limited	Hong Kong	HK$100	100%	100%	Sale of knitted fabric and dyed yarns
Rimau Shipping Pte. Ltd.	Singapore	Singapore Dollars ("SGD")3,600,000	100%	100%	Inactive
Agritrade Resources Asia Pte Ltd.	Singapore	US$3,000,000 and SGD100	100%	-	Coal sales and marketing
PT Megastar Indonesia	Indonesia	IDR500,000,000	100%	-	Investment holding
PT Rimau Indonesia	Indonesia	IDR15,725,000,000	60%	60%	Investment holding and coal trading
PT Senamas Energindo Mineral ("PT SEM")	Indonesia	IDR1,250,000,000	57%	57%	Coal trading

Note:

Other than DG Winscope, which is a wholly-foreign-owned enterprise established in the PRC, all other companies are limited liability companies incorporated in the respective jurisdictions.

38. BUSINESS COMBINATIONS

On 4 June 2010, the Group acquired 60% equity interest in PTRI and its 95%-owned subsidiary (collectively referred to as the "PTRI Group") and 100% equity interest in Rimau Shipping Pte Ltd. ("Rimau Shipping') for an aggregate consideration with fair value of HK$1,042,737,000. Details of the fair value of net assets acquired in respect of the acquisition of the PTRI Group and Rimau Shipping are as follows:

	The PTRI Group HK$'000	Rimau Shipping HK$'000	Total HK$'000
Property, plant and equipment (Note 18)	22,070	62,845	84,915
Mining right (Note 19(a))	2,480,178	-	2,480,178
Customer base (Note 19(b))	-	2,453	2,453
Prepaid lease payments	590	-	590
Prepayment for land use rights	684	-	684
Inventories	226	-	226
Trade and other receivables, deposits and prepayments	786	15,401	16,187
Bank balances and cash	2,115	201	2,316
Trade and other payables and accruals	(9,215)	(550)	(9,765)
Amounts due to related parties	(11,206)	-	(11,206)
Obligation under finance leases	(239)	(17,026)	(17,265)
Deferred tax (Note 28)	(613,355)	-	(613,355)
Net assets	1,872,634	63,324	1,935,958
Less: Non-controlling interests	(805,090)	-	(805,090)
	1,067,544	63,324	1,130,868
Gain from bargain purchase			(88,131)
			1,042,737

	Total HK$'000
Consideration satisfied by:	
Cash	160,000
Issue of Convertible Bonds (Note 29)	525,830
Issue of CPS (Note 32)	249,084
Issue of promissory notes (Note 30)	107,823
	1,042,737
Net cash outflow arising from acquisition:	
Cash and cash equivalents balance acquired	157,684

38. BUSINESS COMBINATIONS (Cont'd)

Notes:

(i) Details of the acquisition of the PTRI Group and Rimau Shipping were set out in the Company's circular dated 26 March 2010.

(ii) The Group has elected to measure the non-controlling interests in the business combinations at proportionate share of fair value of the respective acquirees' identifiable net assets.

(iii) The fair value of the trade and other receivables also represented the gross amount of these receivables. None of the balances has been impaired and it is expected that the full contractual amount can be collected.

(iv) The acquisition-related costs of HK$2,640,000 in total had been incurred. Except for the acquisition-related costs of HK$1,595,000 that were directly related to the issuance of the Convertible Bonds and CPS (Notes 29 and 32 respectively), such costs had been allocated to the liability and equity components in proportion, the remaining acquisition-related costs of HK$1,045,000 had been expensed and were included in administrative expenses in the prior year as shown on the consolidated statement of comprehensive income.

(v) Since the acquisition date and up to 31 March 2011, the PTRI Group and Rimau Shipping contributed HK$72,681,000 and HK$18,602,000 to the Group's revenue and HK$79,134,000 and HK$5,669,000 to the Group's profit for the prior year. If the acquisitions had occurred on 1 April 2010, the Group's revenue and profit for the year ended 31 March 2011 would have been HK$273,819,000 and HK$69,494,000, respectively.

(vi) The Group considered the above acquisitions can provide business diversification for the purpose of enhancing the long-term growth potential of the Group in natural resources industry and chartering industry.

(vii) The gain from bargain purchase was mainly attributable to the increase in the value of the mining right, as the result of the increase in market price of coal at acquisition date.

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with related parties:

	2012 HK$'000	**2011 HK$'000**
Time charter income from a related company with common directors of the Company	4,831	18,602
Sales to a non-controlling owner of a subsidiary and its related company	314,221	57,023
Proceeds on disposal of prepaid lease payments and property, plant and equipment to an ex-director who is also a close family member of the then existing directors*	-	12,970
Production fee paid to a non-controlling owner of a subsidiary	5,095	-
Transportation fee paid to a related party of a non-controlling owner of a subsidiary	28,023	-
Management fee paid to a related company with common directors of the Company	430	774
Purchases from a related company of a non-controlling owner of a subsidiary	-	885
Minimum lease payments paid to director	62	49

* On 24 March 2011, the Group entered into a sale and purchase agreement with Mr. Li Man Shun, an ex-director of the Company who is also a close family member of the then existing directors, to dispose of the entire interest in a parcel of land (presented as prepaid lease payments) and buildings (included in property, plant and equipment) located at the PRC with carrying amounts of HK$1,873,000 and HK$10,126,000, respectively, at a consideration of HK$12,970,000. The transaction was completed on 31 March 2011 and a gain of HK$971,000 was recognised.

39. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Amounts with related parties are summarised below:

	2012 HK$'000	Maximum amount outstanding during the year HK$'000	2011 HK$'000
(i) Amounts due from:			
– Director (Mr. Li Man Ching)	61	61	-
– Non-controlling owner of a subsidiary (Mr. Ridwan Andi Wittiri)	-	-	446
– Related companies of a non-controlling owner of a subsidiary	67,044	67,490	-
– Related companies with common directors of the Company			
Integral Marine Services Pte Ltd	8,364	9,172	9,172
Jet Marine Pte Ltd	1,552	3,086	3,086
PT Rimau Electric	6,722	9,122	857
Amounts included in current assets	83,743		13,561
(ii) Amounts due to:			
– Director	600		600
– Non-controlling owners of a subsidiary and its related companies	19,893		17,600
	20,493		18,200
Less: amounts included in current liabilities	(12,915)		(18,200)
Amount included in non-current liabilities	7,578		-

Except for an amount of HK$7,578,000 due to a non-controlling owner of a subsidiary which is unsecured, interest-bearing ranging from 11% to 12% per annum and repayable after one year from 31 March 2012 (2011: repayable on demand), the balances with the above related parties are unsecured, interest-free and repayable on demand or within one year after the end of reporting period.

39. RELATED PARTY TRANSACTIONS (Cont'd)

(c) On 23 June 2011, the Group entered into an agreement with TSI, pursuant to which the Group has agreed a series of co-operation with TSI in the GEO-COAL Technology which includes: (i) appointing TSI to manage the design, building and installation of the GEO-COAL Plant; (ii) operation and maintenance of the GEO-COAL Plant by utilising the GEO-COAL Technology; (iii) granting licenses of the GEO-COAL Technology to the Group by TSI; and (iv) granting the Group the pre-emptive right to distribute the GEO-COAL Technology in the PRC by TSI.

Pursuant to the agreement, TSI is appointed by the Group as the project manager to design, build and install the GEO-COAL Plant to apply the GEO-COAL Technology, and the estimated cost of such plant is approximately US$4,000,000 and estimated project management fee of the GEO-COAL Plant to be received by TSI is approximately US$1,000,000. Deposits of HK$21,395,000 were paid by the Group in relation to the construction of the GEO-COAL Plant as at 31 March 2012.

Upon the commencement of production after the completion of the building, installation, trail running of the GEO-COAL Plant, the Group would appoint TSI to provide operating and maintaining services for the GEO-COAL Plant for an initial period of three years, by charging an operating and maintenance fee at US$4 per tonne of the processed coal. The engagement of TSI in providing the operating and maintaining services is subject to completion of the GEO-COAL Plant and the acceptance of the delivery of the GEO-COAL Plant from TSI by the Group.

To facilitate the production of the GEO-COAL Plant and the future development of the Group by adopting the GEO-COAL Technology, TSI agreed to grant the Group a non-exclusive and non-transferable licence to use, apply and exploit the GEO-COAL Technology. TSI will charge the Group a royalty amounting US$4 per tonne on the processed coal, and the Group will undertake the annual royalty of the GEO-COAL Plant shall not be less than US$1,000,000. TSI further grants the Group the extended the licences to apply and adopt the GEO-COAL Technology to upgrade low rank coal in other coal mines directly or indirectly owned or operated by the Group. Detailed commercial terms of the extended licences will be subject to the agreement of TSI and the Group.

To facilitate the promotion of the GEO-COAL Technology, TSI grants the Group the pre-emptive right of distributing, applying and exploiting the GEO-COAL Technology in the PRC. Further terms relating to the distribution and licensing operations of the GEO-COAL Technology in the PRC will be subject to the agreement of TSI and the Group.

Further details are set out in the Company's announcements dated 7 April 2011 and 23 June 2011.

(d) As at 31 March 2011, (i) a shareholder of the Company, and (ii) a director of the Company and his spouse have given a corporate guarantee and personal guarantees respectively to a financial institution to secure certain finance leases over property, plant and equipment of the Group.

(e) Members of key management during the year comprised only the directors whose remuneration is set out in Note 11.

40. DISPOSAL OF SUBSIDIARIES

On 26 August 2011, the Group entered into a sale and purchase agreement with an independent third party, to dispose of its entire interest in Real Connection Limited and its subsidiary, Nanhai Heng Xing Dyeing Factory Limited (collectively the "Real Connection Group") at an aggregate consideration of HK$53,000,000. Pursuant to the sale and purchase agreement, the amount due from the Real Connection Group to the Group (excluding the Real Connection Group) has to be waived upon the completion of the above disposal. The disposal was completed during the year. The principal activities of the Real Connection Group are the provision of dyeing, bleaching, setting and finishing services. Further details are set out in the Company's announcement dated 26 August 2011.

The net liabilities of the Real Connection Group at the date of disposal and the gain on disposal were as follows:

	2012 HK$'000	2011 HK$'000
Property, plant and equipment (Note 18)	26,331	-
Inventories	1,729	-
Trade and other receivables	13,101	-
Financial assets at fair value through profit or loss	950	-
Bank balances and cash	27,455	-
	69,566	-
Trade and other payables	(12,292)	-
Amount due to immediate holding company	(61,080)	-
	(73,372)	-
Net liabilities disposed of	(3,806)	-
Wavier of amount due to immediate holding company	61,080	-
Reclassification adjustment of translation reserve upon disposal of subsidiaries	(18,396)	-
	38,878	-
Gain on disposal	14,122	-
Total non-cash consideration (Note 43(a))	53,000	-
Net cash outflow arising on disposal	(27,455)	-

41. COMMITEMENTS

Capital commitments outstanding at the end of reporting period in the financial statements were as follows:

Group	2012 HK$'000	2011 HK$'000
Capital commitments		
Construction of buildings, contracted but not provided for	17,505	-
Purchase of other property, plant and equipment items, contracted but not provided for	16,076	-
	33,581	-

Company	2012 HK$'000	2011 HK$'000
Capital commitments		
Construction of buildings, contracted but not provided for	17,505	-

42. NON-CURRENT ASSET HELD FOR SALE

On 25 March 2011, the Group entered into a sale and purchase agreement with a purchaser in connection to the disposal of a vessel in a consideration of SGD1,200,000 (or HK$7,406,000 equivalent). According to the sale and purchase agreement, the ownership of the vessel would be transferred after full consideration was settled by the purchaser. In April 2011, full settlement of SGD1,200,000 was received and the vessel was disposed of by the Group on the same date.

The vessel being disposed of subsequent to the end of the prior reporting period with the carrying amount and fair value less costs to sell of HK$6,713,000 (Note 18) was classified under non-current asset held for sale and stated at lower of carrying amount and fair value less costs to sell as at 31 March 2011.

43. SIGNIFICANT NON-CASH TRANSACTIONS

Save for those disclosed elsewhere in these financial statements, details of significant non-cash transactions are set out below.

(a) During the year, the consideration of HK$53,000,000 for disposal of the Real Connection Group was settled by set-off of the Group's promissory notes payable in the same amount.

(b) Included in the total consideration for the disposal of vessels, is an amount of HK$6,817,000 which was settled by set-off of the Group's obligation under finance leases in the same amount.

44. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bills receivable, amounts with related parties, bank balances and cash, trade and other payables, bills payable, financial assets at fair value through profit or loss, obligation under finance leases, convertible bonds, promissory notes and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. 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. The Group's overall strategy remains unchanged from prior year.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to certain of its floating-rate bank balances. The Group is also exposed to fair value interest rate risk related to the fixed-rate bank deposits, and fixed-rate bank borrowings and promissory notes. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. No sensitivity analysis was performed for floating-rate bank balances as the directors consider the amount is insignificant.

Other price risk

The Group is exposed to equity price risk arising from held-for-trading investments. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity investments quoted on the stock exchanges in Hong Kong and the PRC. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. No sensitivity analysis was performed for held-for-trading investments as the directors consider the amount is insignificant.

44. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk

In order to manage its 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 each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk by geographical location, which is mainly in Singapore and accounted for 66% (2011: mainly in Hong Kong and accounted for 61%) of the total trade receivable as at 31 March 2012, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

Liquidity risk

In 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. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

2012	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	45,831	-	-	-	45,831	45,831
Bills payable	4,419	-	-	-	4,419	4,419
Amounts due to related parties	13,801	7,578	-	-	21,379	20,493
Obligation under finance leases	55,489	86,626	-	-	142,115	114,147
Promissory notes and interest payable	2,000	51,258	-	-	53,258	49,658
Convertible bonds	-	-	-	413,250	413,250	157,991
Secured bank borrowings	11,391	11,066	5,574	-	28,031	25,415
	132,931	156,528	5,574	413,250	708,283	417,954
2011						
Non-derivative financial liabilities						
Trade and other payables	8,214	-	-	-	8,214	8,214
Bills payable	12,924	-	-	-	12,924	12,924
Amounts due to related parties	19,086	-	-	-	19,086	18,200
Obligation under finance leases	22,221	31,905	-	-	54,126	47,108
Promissory notes and interest payable	3,000	123,000	-	-	126,000	112,711
Convertible bonds	-	-	-	413,250	413,250	140,326
	65,445	154,905	-	413,250	633,600	339,483

44. FINANCIAL RISK MANAGEMENT (Cont'd)

Currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Approximately 19% (2011: 10%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales. There was only insignificant percentage of the Group's costs were denominated in the units' functional currencies during the year and the prior year. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts if any).

		Increase/ (decrease) in profit before income tax expense HK$'000	Increase/ (decrease) in equity* HK$'000
2012			
If the IDR weakens against the US$	5%	(931)	-
If the SGD weakens against the US$	5%	238	-
2011			
If the IDR weakens against the US$	5%	(67)	-
If the SGD weakens against the US$	5%	554	-

* excluding retained profits

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

44. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

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

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

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

All of the Group's listed equity securities investment of HK$19,000 (2011: HK$1,162,000) (Note 25) were categorised under Level 1 fair value measurement.

45. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position (the "Borrowings"), including secured bank borrowings, amounts due to related parties, obligation under finance leases, convertible bonds and promissory notes. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus the Borrowings. The gearing ratios of the Group at 31 March 2012 and 2011 were as follows:

	2012 **HK$'000**	**2011** **HK$'000**
Total borrowings	365,904	315,845
Equity attributable to owners of the Company	1,000,460	1,091,506
Total capital	1,366,364	1,407,351
Gearing ratio	27%	22%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

46. CONTINGENT LIABILITIES

The Company gave corporate guarantee to secure bank borrowing facilities of its subsidiaries for which HK$Nil was utilised as at 31 March 2011 and 2012.

47. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 4 June 2012, PT SEM, a non-wholly owned subsidiary of the Company, entered into a coal supply agreement with AIPL, a shareholder of the Company, pursuant to which PT SEM agreed to supply 400,000 metric tonnes of coal annually to AIPL (the "Coal Supply Agreement"). Subject to the approval by the independent shareholders at the Special General Meeting of the Company, the Coal Supply Agreement will take effect from 4 June 2012 to 3 June 2015. The contract price shall be based on the export prices of Indonesia domestic coal and mutually agreed by both parties on each transaction. Further details on the terms of the Coal Supply Agreement are disclosed in the announcement of the Company dated 4 June 2012.

FINANCIAL SUMMARY

RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	Year ended 31 March								
	2008 HK$'000	2009 HK$'000	2010 HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	2011 Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	2012 Total HK$'000
Revenue	287,765	235,865	159,036	216,639	18,602	235,241	527,926	8,373	536,299
Profit/(loss) before tax	(37,546)	(42,609)	(2,665)	32,991	5,669	38,660	45,771	(23,101)	22,670
Income tax credit/(expense)	-	-	(1,908)	3,474	-	3,474	(20,538)	31	(20,507)
Profit/(loss)for the year	(37,546)	(42,609)	(4,573)	36,465	5,669	42,134	25,233	(23,070)	2,163
Attributable to:									
Owners of the Company	(37,546)	(42,609)	(4,573)	44,125	-	44,125	(17,624)	-	(17,624)
Non-controlling interests	-	-	-	(1,991)	-	(1,991)	19,787	-	19,787
	(37,546)	(42,609)	(4,573)	42,134	-	42,134	2,163	-	2,163

ASSETS AND LIABILITIES

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000
Total assets	375,201	328,566	353,906	2,969,975	2,968,998
Total liabilities	(34,740)	(28,981)	(55,690)	(1,024,167)	(1,136,468)
	340,461	299,585	298,216	1,945,808	1,832,530
Attributable to:					
Owners of the Company	340,461	299,585	298,216	1,091,506	1,000,460
Non-controlling interests	-	-	-	854,302	832,070
	340,461	299,585	298,216	1,945,808	1,832,530

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