Asia Coal Limited

亞洲煤業有限公司

Stock Code: 835

Annual Report

2012/13

Contents

Corporate Information

DIRECTORS

Executive directors
Zhu Xinjiang (Chairman)
Kung Chi Kang, Silver (CEO)

Non-executive directors
Sun David Lee
Yeung Ting Lap, Derek Emory

Independent non-executive directors
Ho Man Kin, Tony
Li Kar Fai, Peter
Edward John Hill III

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE
PRINCIPAL PLACE OF BUSINESS
Unit A
60/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

COMPANY SECRETARY
Chen Kwok Wang

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

PRINCIPAL SHARE REGISTRAR
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
26 Burnaby Street
Hamilton HM 11
Bermuda

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

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

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

NOMINATION COMMITTEE
Zhu Xinjiang
Ho Man Kin, Tony
Li Kar Fai, Peter

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

LEGAL ADVISERS
Patrick Mak & Tse
16th Floor, Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

WEBSITE ADDRESS
www.asiacoallimited.com

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

Chairman's Statement

Dear Shareholders,

It is with my great pleasure to announce the Financial Year 2012/13 annual results of Asia Coal Limited (the "Company" together with its subsidiaries, the "Group") to shareholders, following the appointment as the Group's Chairman and Executive Director on 2 May 2013.

In light of the scarcity in energy resources and the increasing demand from China and the global economy, different countries have stepped up their efforts in expanding and optimizing their energy mix. Their focus is not only on exploring conventional energy resources, including coal, oil and natural gas, but also identifying non-conventional energy resources, such as solar, wind and hydro power, to ensure non-interrupted supply of energy.

Coal, among different conventional energy sources, has shown robust growth potential in recent years. According to the annual Medium-Term Coal Market Report, published by the International Energy Agency in December 2012, coal's share of the global energy mix continues to rise, and by 2017, coal will come close to surpassing oil as the world's top energy source. China has already become the largest coal importer in the world. At the same time, with the technological advancement in exploration and development over the past few decades, more new energy resources have been made accessible to human being at a lower cost of exploration and development, which will boost investment returns for energy projects. We realized the revolutionary changes and development in the global energy sector have indeed opened doors for us to explore growth opportunities.

Following the change of our ownership structure, Asia Coal has set two new goals. First, the company will improve the coal business into a low cost, highly effective and clean energy business with the application of advance technology and our professional management team. Second, we will extend our reach to the renewable energy sector and endeavour to build Asia Coal an international, professional and diversified energy company. There is no doubt we will keep upholding strong corporate governance standards. Our investments in leading management talent and technical expertise underpin our growth strategy and our commitment to maximize shareholder value.

Under the new leadership by me and Dr. Silver Kung, our new Chief Executive Officer, we will use our extensive experience in corporate and financial management, as well as new energy business development to help the Group explore market opportunities in energy sector.

As looking into our future, we will continue to invest in and develop conventional and new energy projects in the world with great potential by leveraging the expertise of our management team and their extensive business networks. We have implemented a stringent selection and review process to identify existing and potential energy projects, to ensure they will contribute to the sustainable development of the Group's energy business, become a steady source of cash flow and promote the diversity in our energy project portfolio.

Chairman's Statement

Last but not least, I firmly believe the staunch support from the Board of Directors, the management and work teams, and shareholders is crucial to our commencement of a new journey in the global energy sector and seize future opportunities.

Yours faithfully,
Zhu Xinjiang
Chairman

27 June 2013
Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

During the year, the Group continued to engage in coal mining business and distribution of beauty products and services.

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

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

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

In the health and beauty segment, a new Dermagram product line, the Blemish Control Solution, has been launched during the year to provide more comprehensive product range for the customers.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2013, the Group generated a consolidated turnover of approximately HK$8.7 million, representing a decrease by HK$2.4 million or 21.9% as compared to that of last financial year. The decrease in turnover was attributable by the health and beauty segment as detailed in the segmental analysis section below and the consolidated turnover recorded in the previous financial year included the revenue from the logistic services segment before its discontinuance.

The Group recorded a gross profit of approximately HK$5.5 million, which is no significant change as compared to that of last financial year. The gross profit margin increased from 49.6% as recorded in previous year to 62.6% for the year. The higher gross profit margin were attributable by the health and beauty segment as detailed in the segmental analysis section below and the gross loss recorded by the logistic services segment before its discontinuance in the previous financial year.

Loss attributable to owners of the Company decreased to approximately HK$53 million, from HK$307 million as recorded in the previous financial year. The decrease in loss was mainly due to the nonrecurring gain on redemption of convertible bonds of approximately HK$23 million, and the decrease in nonrecurring impairment loss on exploration and evaluation assets to HK$24 million from HK$245 million as recorded in the previous financial year.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segmental Analysis

Coal Mining

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

An impairment loss on exploration and evaluation assets of approximately HK$24 million was recognised during the year. The fair value of the exploration and evaluation assets has been determined on the basis of market-based approach provided by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to similar market prices for similar assets in the similar locations and conditions.

Health and Beauty Products and Services

During the year under review, turnover contributed by the health and beauty segment amounted to approximately HK$8.7 million, representing a decrease by HK$1.6 million or 15.3% as compared with that of last financial year. The decrease in turnover was mainly due to the decrease in sales of Dermagram products and the OEM products as the business environment was difficult with keen competition in the cosmetic and beauty sector. Also, the Group allocated more resources to develop the provision of beauty services which generate higher margin.

The gross profit of the segment decreased slightly by HK$0.4 million or 6.5% to approximately HK$5.5 million this year and the gross profit margin of the segment increased from 56.7% as recorded in previous year to 62.6% for this year. The segment recorded a higher gross profit margin as greater proportion of revenue was contributed by the higher-margin beauty services.

The segmental loss for the year decreased slightly to approximately HK$19.8 million from HK$23.7 million as recorded in the previous financial year mainly due to the decrease in selling and distribution expenses as cost saving measures were effectively implemented.

Liquidity, Financial Position and Capital Structure

As at 31st March 2013, the Group held cash and bank balances amounting to approximately HK$4,592,000 (2012: HK$5,069,000) while the total borrowings of the Group were approximately HK$26,289,000 (2012: HK$216,648,000). As at 31st March 2013, the borrowings included amounts due to related parties. These amounts are unsecured, interest-free and repayable on demand except for an amount due to a related party, Elmfield Limited, of approximately HK$10,089,000 which carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. six months from the first drawdown date, unless extended by Elmfield Limited at its sole discretion.

FINANCIAL REVIEW *(Continued)*

Liquidity, Financial Position and Capital Structure *(Continued)*

As at 31st March 2012, the borrowings included bank overdrafts, amounts due to related parties and a non-controlling shareholder of a subsidiary and the outstanding liability component of the convertible bonds issued in July 2008 (the "GF CB") and in February 2011 (the "Termination CB"). The GF CB and the Termination CB with respective outstanding principal amounts of HK$109,089,015 and HK$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date.

The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 23.3% (2012: (299.2%)). The ratio of total borrowings over total assets was 19.0% (2012: 137.8%).

On 22nd October 2012, Termination CB with principal amount of HK$10,000,000 were converted into 50,000,000 ordinary shares of HK$0.10 each (which was adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) of the Company at the conversion price of HK$0.20 per share.

As disclosed in the Company's circular dated 8th February 2013, on 4th December 2012, the Company entered into a subscription agreement with Sharp Victory Holdings Limited (the "Subscriber"), CEC Resources and Minerals Holdings Limited ("CEC") and Mr. Zhu Xinjiang (the "Guarantor"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the subscription shares at the price of HK$0.0235 per subscription share for a total consideration of HK$151,947,482. The transaction was approved by the shareholders in the special general meeting held on 4th March 2013 (the "SGM"). The subscription shares were then issued on 7th March 2013.

Under the terms of the subscription agreement, the Company shall utilize all the proceeds of the subscription to redeem all outstanding principal amounts under each of the GF CB and the Termination CB. The redemptions were effected pursuant to the terms of the GF CB redemption agreement and Termination CB redemption agreement entered into between the Company and CEC on 4th December 2012. The transactions were approved by the independent shareholders in the SGM. On 7th March 2013, the Company redeemed the GF CB and the Termination CB with principal amount of HK$109,089,015 and HK$10,000,000 at a consideration of HK$79,276,289 and HK$72,671,193 respectively.

In connection with the subscription, on 5th March 2013, the Company reduced the issued share capital of the Company by cancelling the issued and paid up capital of the Company to the extent of HK$0.09 on each issued and paid up share. Each authorized but unissued share of par value HK$0.10 be subdivided into ten shares, each of par value of HK$0.01. The credit arising from the capital reduction be transferred to the contributed surplus account of the Company and be applied to set off against the accumulated losses of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity, Financial Position and Capital Structure *(Continued)*

Pursuant to the Kwok Waiver Deed and CEC Waiver Deed as defined in the Company's circular dated 8th February 2013, on 7th March 2013, Mr. Kwok Wing Leung and CEC, shareholders of the Company, waived the debts owing by the Group amounting to approximately HK$57,616,000 and HK$363,000 respectively, the amount were credited directly to capital contribution reserve.

On 22nd April 2013, the Company entered into a placing agreement (the "Placing") with a placing agent, pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, to not less than six independent placees for up to 400,000,000 placing shares at the placing price of HK$0.12 per placing share.

The Placing was completed on 29th April 2013. An aggregate of 400,000,000 placing shares have been successfully placed to not less than six independent placees at the placing price of HK$0.12 per placing share. The net proceeds from the Placing amounted to HK$47.6 million. The net proceeds from the Placing is intended to be used for repaying the outstanding debts due to CEC and Elmfield Limited and the remaining for general working capital of the Group.

In view of the liquidity position of the Group, the Group had obtained a confirmation from shareholder that the said shareholder will not demand the repayment of the amount due to him of approximately HK$9 million in the next twelve months from the date of approval of these condensed consolidated financial statements. In addition, with its available cash balances resulting from the Placing, the directors are satisfied that the Group has sufficient financial resources to fund its operational requirements.

Foreign Exchange Risk Management

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

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Major Events

Consideration adjustment of GF Acquisition

As disclosed in the Company's annual report 2011/12, on 25th January 2008, the Group entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit. As at 31st March 2013, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. The Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012. As at the date of the approval of these consolidated financial statements, the Company had not delivered the SMI Technical Assessment and the delivery date of the SMI Technical Assessment was not further extended, the Company had been in on-going negotiations with the vendor in relation to waiving the Company's obligation to deliver the SMI Technical Assessment and the consideration adjustment, however no agreement has yet been reached.

Mining Prohibition Law

On 16th July 2009, the Parliament of Mongolia enacted the Law of Mongolia on the Prohibition of Minerals Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands (the "MPL") which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes.

During the year, legal counsel of the Mongolian subsidiary has confirmed two mining rights of the Group are within the area designated, on a preliminary basis, as land where mineral exploration and mining are prohibited under the MPL, However, there has been no revocation of these licenses as at the date of approval of these consolidated financial statements. The management also considers that even if the licenses were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no impairment on the mining rights in this regard.

Charges on Assets

As at 31st March 2013, the Group had no charges on assets.

Contingent Liabilities

As at 31st March 2013, the Group had no significant contingent liabilities.

Management Discussion and Analysis

PROSPECTS AND OUTLOOK

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

On 7th June 2013, the Company entered into a non-legally binding memorandum with the intended seller of understanding ("MOU") in respect of the possible acquisition of certain interest in the issued share capital of the target company. The Target Company is incorporated in Italy and is principally engaged in the business of solar power generated electricities to power grid in Italy.

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

HUMAN RESOURCES

As at 31st March 2013, the Group had a total of 56 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

Corporate Governance Report

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31st March 2013, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save and except certain deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the financial year ended 31st March 2013.

Directors and Directors' Independence

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

Executive directors

Mr. Zhu Xinjiang	*(Chairman) (appointed as non-executive director on 15th March 2013 and re-designated from non-executive director and appointed as Chairman on 2nd May 2013)*
Mr. Kung Chi Kang, Silver	*(CEO) (appointed as non-executive director on 15th March 2013 and re-designated from non-executive director and appointed as CEO on 2nd May 2013)*
Mr. Kwok Wing Leung, Andy	*(resigned on 7th March 2013)*

Non-executive directors

Mr. Sun David Lee	*(re-designated from executive director and resigned from Chairman on 2nd May 2013) (contracted for a specific term of 2 years from 2nd May 2013)*
Mr. Yeung Ting Lap, Derek Emory	*(contracted for a specific term of 2 years from 1st April 2012)*

Independent non-executive directors

Mr. Ho Man Kin, Tony	*(contracted for a specific term of 2 years from 1st April 2012)*
Mr. Li Kar Fai, Peter	*(contracted for a specific term of 2 years from 1st April 2012)*
Mr. Edward John Hill III	*(appointed on 27th August 2012 and contracted for a specific term of 1 year from 27th August 2012)*
Ms. Chiu Kam Hing, Kathy	*(retired on 27th August 2012)*

DIRECTORS ***(Continued)***

Directors and Directors' Independence ***(Continued)***

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

During the financial year ended 31st March 2013, 7 Board meetings, 2 meetings of the Audit Committee of the Company (the "Audit Committee"), 3 meetings of the Remuneration Committee of the Company (the "Remuneration Committee") and 3 meetings of the Nomination Committee of the Company ("Nomination Committee") were held respectively. Attendance by directors at Board and Committee meetings is shown below:

Attendance Record for the Board and Committee Meetings During the Year		Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
		Number of Attendance/Number of Meetings			
Executive directors/Non-executive directors					
Mr. Zhu Xinjiang	*(appointed on 15th March 2013)*	0/0	N/A	N/A	0/0
Mr. Kung Chi Kang, Silver	*(appointed on 15th March 2013)*	0/0	N/A	N/A	N/A
Mr. Sun David Lee		7/7	N/A	N/A	3/3
Mr. Kwok Wing Leung, Andy	*(resigned on 7th March 2013)*	3/6	N/A	N/A	N/A
Mr. Yeung Ting Lap, Derek Emory		7/7	2/2	3/3	N/A
Independent non-executive directors					
Ms. Chiu Kam Hing, Kathy	*(retired on 27th August 2012)*	1/2	N/A	N/A	N/A
Mr. Ho Man Kin, Tony		6/7	2/2	2/3	2/3
Mr. Li Kar Fai, Peter		4/7	2/2	2/3	3/3
Mr. Edward John Hill III	*(appointed on 27th August 2012)*	2/4	N/A	N/A	N/A

DIRECTORS *(Continued)*

Role and Function of the Board

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

- Formulation of operational and strategic direction of the Group;
- Monitoring the financial performance of the Group;
- Overseeing the performance of the management;
- Ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and
- Setting the Company's values and standards.

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

The attendance record of individual Board meetings during the year is set out in the table on page 12 of this report.

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

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

Directors' training is an ongoing process. During the year, directors received regular updates on changes and developments of the Group's business and to the legislative and regulatory environments in which the Company operates. All directors are also encouraged to attend relevant training courses at the Company's expense.

The Separate Roles of Chairman and Chief Executive Officer

For the year ended 31st March 2013, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive directors of the Company collectively. The Board believes that such arrangement is adequate to ensure an effective management and control of the Group's present business operations. On 2nd May 2013, Dr. Kung Chi Kang, Silver has been appointed to serve as the chief executive officer of the Company.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was established by the Company to review the structure, size and composition of the Board on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become board members, and assessing the independence of independent non-executive directors. During the year the Nomination Committee comprises one executive director namely Mr. Sun David Lee (chairman) and two independent non-executive directors namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter. On 2nd May 2013, Mr. Sun David Lee resigned as chairman of the committee and Mr. Zhu Xinjiang was appointed as the chairman of the committee.

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

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

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

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

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

Newly appointed directors are subject to re-election by shareholders of the Company at the general meetings in the first year of the appointment pursuant to the Company's Bye-laws.

The Nomination Committee held three meetings during the year. The complete attendance record of individual committee members is set out in the table on page 12 of this report.

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

The Remuneration Committee held three meetings during the year. The complete attendance record of individual committee members is set out in the table on page 12 of this report.

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

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

The Board has conducted review of the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31st March 2013 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2013.

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

The Audit Committee held two meetings during the year. The complete attendance record of individual committee members is set out in the table on page 12 of this report.

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

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

AUDITORS

The financial reporting responsibilities of the auditors are set out on pages 33 to 34 of this Annual Report.

During the financial year ended 31st March 2013, the fees paid/payable to the external auditors, Deloitte Touche Tohmatsu, in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services rendered	Fee paid/payable HK$'000
Audit services	1,200
Non-audit services	248
	1,448

CORPORATE COMMUNICATION/INVESTOR RELATIONS

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

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

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Zhu Xinjiang ("Mr. Zhu")

Mr. Zhu, aged 38, has over 8 years of experience in the property development business and holds management positions in property development companies in Guangdong province of the People's Republic of China (the "PRC"). Mr. Zhu is a citizen of the PRC, the sole shareholder and director of Sharp Victory Holdings Limited, a substantial shareholder of the Company, and a real estate developer in Guangzhou of the PRC. Mr. Zhu indirectly owns 廣州仲源房地產開發有限公司 (Guangzhou Zhongyuan Real Estate Development Limited), a real estate development company in Guangzhou of the PRC and has been its executive director and chairman since 2005. Mr. Zhu has extensive experience in management of property development business, corporate merger and acquisition, distressed asset management, investment planning, business acquisition and development and corporate management.

Dr. Kung Chi Kang, Silver ("Dr. Kung")

Dr. Kung, aged 41, holds a doctorate degree in economics from Nankai University (南開大學) in Tianjin of the PRC. He obtained his Master Degree of Science from Pace University in the United States of America. During his undergraduate study at Wichita State University, he led his team to win the First Place Award in the third annual General Aviation Design Competition jointly held by National Aeronautics and Space Administration of the United States of America and Federal Aviation Administration of the United States of America in 1997.

Dr. Kung has developed considerable experience in asset management and financial engineering fields of the financial industry and has been engaged as a consultant in projects involving issues related to initial public offerings ("IPO"), private equity placements, and general merger and acquisitions. Dr. Kung was a visiting lecturer of HKU School of Professional and Continuing Education. Since 2003, Dr. Kung has been a part-time teacher of the Finance Department at Taiwan's National Kaohsiung University of Applied Sciences and had also been appointed as a committee of its Investment Committee of University Fund in 2009.

Dr. Kung has been appointed as a director of Crown One Master Fund SPC since 2009 and Hyperion Limited Partnership, which is a renewable energy focused private equity fund, since 2011. Dr. Kung worked in Target Capital Management Limited and its affiliated entities from 2005 to 2012. From 2007 to 2012, he had been the director and responsible officer of Target Capital Management Limited (which is a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO) and has established, managed, and advised several offshore hedge funds, private equity and private family funds. In 2005, he acted as Vice President at Global Investment Advisors Limited. In 2002, Dr. Kung was the High Commissioner for the research and development department of ThetaSoft Limited in Taiwan and led a group of specialists to develop a series of securities trading models. From 2000 to 2002, Dr. Kung acted as Chairman's Special Assistant of Shangwei EV Tech Limited in Taiwan to lead the company's IPO team to prepare for the listing in Taiwan Stock Exchange Corporation. From 1999 to 2000, Dr. Kung worked in the corporate finance department of Core Pacific Securities Limited (「京華證券」), a Taiwan-based investment bank.

Biographical Details of Directors

NON-EXECUTIVE DIRECTOR

Mr. Sun David Lee ("Mr. Sun")

Mr. Sun, aged 47, has been an executive director of the Company since August 2008 and was appointed as the Chairman of the Company on 30th June 2011. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, the United States of America. Mr. Sun is currently an executive director of China Outfitters Holdings Limited and an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of both of these companies are listed on the Main Board of the Stock Exchange. Mr. Sun is currently responsible for brands sourcing and transaction management of China Outfitters Holdings Limited and he is a director of CEC Management Limited. Prior to helping to form CEC Management Limited, he was the managing director and general counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey & Company, Inc., he practised law as an associate in the corporate group at Linklaters. Mr. Sun was also an executive director of Sino Distillery Group Limited (formerly known as BIO-DYNAMIC GROUP LIMITED) of which the shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited from 2005 to 2012. Mr. Sun holds the position as director for other members of the Group.

Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung")

Mr. Yeung, aged 40, has been a non-executive director of the Company since September 2005. Mr. Yeung is also the chief executive officer and co-founder of she.com international holdings limited and an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. He holds a bachelor degree in applied mathematics and economics from Brown University and a master degree in business administration and accounting from Northeastern University, both in the United States of America. He is a certified public accountant, a member of the Chinese People's Political Consultative Conference of Qingdao City, the PRC and a member of the municipal services appeals board of Hong Kong. Mr. Yeung was also a non-executive director of Sino Distillery Group Limited (formerly known as BIO-DYNAMIC GROUP LIMITED) of which the shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited from 2005 to 2012. Mr. Yeung holds the position as director for other members of the Group.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Man Kin, Tony ("Mr. Ho")

Mr. Ho, aged 42, has been an independent non-executive director of the Company since March 2006. Mr. Ho holds a Bachelor's degree in Management Science from the University of St. Andrews. Mr. Ho was the Head of Special Situation Investments – Greater China, LaSalle Investment Management in Hong Kong and held key positions in various corporate advisory assignments. Mr. Ho has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. Li Kar Fai, Peter ("Mr. Li")

Mr. Li, aged 48, has been an independent non-executive director of the Company since March 2006. Mr. Li holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting. Mr. Li is an independent non-executive director of Brilliance Worldwide Holdings Limited, the shares of which are listed in the Growth Enterprise Market of the Stock Exchange.

Mr. Edward John HILL III ("Mr. HILL")

Mr. Hill, aged 38, has been as an independent non-executive director of the Company since August 2012. Mr. Hill holds a Bachelor of Art Degree in East Asian Languages and Cultures (China Focus) and a Bachelor of Science Degree in Business Administration, both in the University of Kansas. Mr. Hill has over 13 years of experience across several different areas of banking, including mergers and acquisitions advisory, equity and debt capital markets, special situations trading, leveraged finance and corporate credit. Mr. Hill was a director of Technology, Media and Telecom and Financial Sponsors Investment Banking, Royal Bank of Scotland in Hong Kong.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2013.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 35 of the annual report.

RESERVES

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

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st March 2013, there are distributable reserves of the Company amounting to approximately HK$57,979,000 (2012: HK$Nil), calculated under The Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 43% and 78% respectively of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 7% and 12% respectively of the Group's total turnover for the year.

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

Directors' Report

DIRECTORS

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

Executive directors

Mr. Zhu Xinjiang	*(Chairman) (appointed as non-executive director on 15th March 2013 and re-designated from non-executive director and appointed as Chairman on 2nd May 2013)*
Mr. Kung Chi Kang, Silver	*(CEO) (appointed as non-executive director on 15th March 2013 and re-designated from non-executive director and appointed as CEO on 2nd May 2013)*
Mr. Kwok Wing Leung, Andy	*(resigned on 7th March 2013)*

Non-executive directors

Mr. Sun David Lee	*(re-designated from executive director and resigned from Chairman on 2nd May 2013)*
Mr. Yeung Ting Lap, Derek Emory	

Independent non-executive directors

Mr. Ho Man Kin, Tony	
Mr. Li Kar Fai, Peter	
Mr. Edward John Hill III	*(appointed on 27th August 2012)*
Ms. Chiu Kam Hing, Kathy	*(retired on 27th August 2012)*

In accordance with Bye-law 101 of the Company's Bye-laws, Mr. Zhu Xinjiang, Mr. Kung Chi Kang, Silver and Mr. Edward John Hill III will retire as directors of the Company at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 110 of the Company's Bye-laws, Mr. Sun David Lee and Mr. Li Kar Fai, Peter will retire as directors of the Company by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

As at 31st March 2013, the interests of the directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

	Number of shares/underlying shares held			
Name of director	Personal interests	Corporate interests	Total	% of the issued share capital
Zhu Xinjiang	–	6,465,850,314 *(Note 1)*	6,465,850,314	75.00
Sun David Lee	9,000,000 *(Note 2)*	–	9,000,000	0.10
Yeung Ting Lap, Derek Emory	7,000,000 *(Note 3)*	–	7,000,000	0.08
Ho Man Kin, Tony	2,000,000 *(Note 4)*	–	2,000,000	0.02
Li Kar Fai, Peter	2,000,000 *(Note 5)*	–	2,000,000	0.02

Directors' Report

Notes:

1. These 6,465,850,314 shares are held by Sharp Victory Holdings Limited which is wholly owned by Mr. Zhu.

2. The personal interests of Mr. Sun David Lee represent an interest in underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

3. The personal interests of Mr. Yeung Ting Lap, Derek Emory include an interest in underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Yeung Ting Lap, Derek Emory to subscribe for 7,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

4. The personal interests of Mr. Ho Man Kin, Tony represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Ho Man Kin, Tony to subscribe for 2,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

5. The personal interests of Mr. Li Kar Fai, Peter represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Li Kar Fai, Peter to subscribe for 2,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

Save as disclosed above, none of the directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st March 2013, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as other wise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 30 to the consolidated financial statements.

2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.01 each (which was adjusted to HK$0.10 per share following the consolidation of the Company's shares on 20th December 2004 and further adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

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

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

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme

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

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

(I)	Purpose of the scheme	:	The purpose of the 2007 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.
(II)	Participants of the scheme	:	The directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for shares of HK$0.10 each in the capital of the Company (which was adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013).
(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this report	:	The number of shares available for issue under the 2007 Scheme was 240,988,752 shares representing approximately 2.79 % of the issued share capital as at the date of this report.
(IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the 2007 Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme *(Continued)*

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

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

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

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options: Balance at 01/04/2012	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2013
Sun David Lee Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	9,000,000	–	–	–	9,000,000
Kwok Wing Leung, Andy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	7,000,000	–	–	–	7,000,000
Yeung Ting Lap, Derek Emory Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	7,000,000	–	–	–	7,000,000
Chiu Kam Hing, Kathy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	–	–	(2,000,000)	–
Ho Man Kin, Tony Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	–	–	–	2,000,000
Li Kar Fai, Peter Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	–	–	–	2,000,000
Sub-total:					29,000,000	–	–	(2,000,000)	27,000,000

SHARE OPTION SCHEMES *(Continued)*

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options				
					Balance at 01/04/2012	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2013
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	4,950,000	–	–	(4,950,000)	–
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	170,000	–	–	–	170,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.270	2,000,000	–	–	–	2,000,000
	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	4,000,000	–	–	(4,000,000)	–
	2007	01/12/2010	01/12/2010 to 30/11/2020	0.250	1,000,000	–	–	(1,000,000)	–
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.210	5,442,320	–	–	–	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	18,060,000	–	–	–	18,060,000
Sub-total:					35,622,320	–	–	(9,950,000)	25,672,320
Total:					64,622,320	–	–	(11,950,000)	52,672,320

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

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

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31st March 2013, the following corporations, other than a director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
Sharp Victory Holdings Limited *(Note 1)*	Beneficial owner	Long position	6,465,850,314	75.00
Hammer Capital Investment Limited (Note 2)	Security Interest	Long position	6,465,850,314	75.00
Sheng Kai Investment Limited *(Note 2)*	Security Interest	Long position	6,465,850,314	75.00
Chen Wenpei *(Note 2)*	Security Interest	Long position	6,465,850,314	75.00
China Enterprise Capital Limited *(Note 3)*	Interests of a controlled corporation	Long position	2,222,341,312	25.78
CEC Resources and Minerals Holdings Limited *(Note 3)*	Interests of a controlled corporation and beneficial owner	Long position	2,222,341,312	25.78
CEC Resources Limited *(Note 3)*	Beneficial owner	Long position	1,630,429,574	18.98

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

Notes:

1. Sharp Victory Holdings Limited is wholly owned by Mr. Zhu Xinjiang who is the Chairman and Executive Director of the Company.

2. The 6,465,850,314 shares refer to same parcel of shares. Hammer Capital Investment Limited is a corporation reported to be controlled by Sheng Kai Investment Limited which is in turn reported to be a corporation controlled by Chen Wenpei.

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

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March 2013.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

CONNECTED TRANSACTIONS

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

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

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

Directors' Report

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes as an incentive to directors and eligible employees. Details of the schemes are set out in note 30 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Zhu Xinjiang
Chairman

Hong Kong, 27th June 2013

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 94, which comprise the consolidated statement of financial position as at 31st March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 19 to the consolidated financial statements. The Group owns two mining rights with a carrying amount of HK$119,410,000 as at 31st March 2013 in Mongolia which may be revoked as a result of the enactment of the Mining Prohibition Law (the "MPL"). According to the MPL, the affected license holders, including SMI LLC, a subsidiary of the Company, are to be compensated but the details of the compensation are not currently available. The management believes that the Mongolian government would pay a reasonable compensation to the Group if the licenses were revoked due to the MPL and accordingly the management concluded that there is no further impairment on the mining rights. However, the implementation of the MPL represents a significant uncertainty to the Group, which might have a significant effect on the consolidated financial statements of the Group. If the Group's mining rights are revoked due to the MPL and the compensation to be received by the Group is significantly less than the carrying amounts of these concessions, the Group would incur a significant impairment loss on the related exploration and evaluation assets. The ultimate outcome of this matter cannot presently be determined and no impairment loss, if any, that may result from the above matter has been recognised in the consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2013

		Continuing Operations		Discontinued Operation		Total	
		2013	2012	**2013**	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	8 & 9	**8,728**	10,305	**–**	869	**8,728**	11,174
Cost of sales		**(3,268)**	(4,466)	**–**	(1,170)	**(3,268)**	(5,636)
Gross profit (loss)		**5,460**	5,839	**–**	(301)	**5,460**	5,538
Other income	10	**24,281**	1,210	**–**	1	**24,281**	1,211
Selling and distribution expenses		**(20,032)**	(23,982)	**–**	–	**(20,032)**	(23,982)
Administrative expenses		**(17,790)**	(20,827)	**–**	(1,300)	**(17,790)**	(22,127)
Finance costs	11	**(20,253)**	(21,929)	**–**	–	**(20,253)**	(21,929)
Impairment loss on exploration and evaluation assets	19	**(24,408)**	(244,859)	**–**	–	**(24,408)**	(244,859)
Loss on disposal of a subsidiary	29	**–**	–	**–**	(3,106)	**–**	(3,106)
Loss before tax		**(52,742)**	(304,548)	**–**	(4,706)	**(52,742)**	(309,254)
Taxation	12	**–**	–	**–**	–	**–**	–
Loss for the year	13	**(52,742)**	(304,548)	**–**	(4,706)	**(52,742)**	(309,254)
Other comprehensive expense:							
Exchange differences arising on translation of foreign operations		**(71)**	(456)	**–**	(8)	**(71)**	(464)
Total comprehensive expense for the year		**(52,813)**	(305,004)	**–**	(4,714)	**(52,813)**	(309,718)
Loss for the year attributable to:							
Owners of the Company						**(52,779)**	(306,945)
Non-controlling interests						**37**	(2,309)
						(52,742)	(309,254)
Total comprehensive expense attributable to:							
Owners of the Company						**(52,850)**	(307,409)
Non-controlling interests						**37**	(2,309)
						(52,813)	(309,718)
LOSS PER SHARE	16						
From continuing and discontinued operations							
Basic and diluted						**(2.05) HK cents**	(15.33) HK cents
From continuing operations							
Basic and diluted						**(2.05) HK cents**	(15.21) HK cents
From discontinued operation							
Basic and diluted						**N/A**	(0.12) HK cents

Consolidated Statement of Financial Position

At 31st March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**2,747**	2,028
Exploration and evaluation assets	19	**119,410**	145,000
		122,157	147,028
Current assets			
Inventories – finished goods		**2,334**	2,266
Trade and other receivables	20	**9,176**	2,876
Pledged bank deposits	21	**–**	1,723
Bank balances and cash	21	**4,592**	3,346
		16,102	10,211
Current liabilities			
Trade and other payables and accrued charges	22	**17,368**	13,531
Amounts due to related parties	23	**27,489**	50,610
Amount due to a non-controlling shareholder of a subsidiary	23	**–**	2,819
Obligations under finance leases – due within one year	24	**–**	22
Convertible bonds	27	**–**	90,876
Secured bank overdrafts	25	**–**	1,342
		44,857	159,200
Net current liabilities		**(28,755)**	(148,989)
Total assets less current liabilities		**93,402**	(1,961)
Non-current liabilities			
Obligations under finance leases – due after one year	24	**–**	29
Convertible bonds	27	**–**	71,401
		–	71,430
Net assets (liabilities)		**93,402**	(73,391)

Consolidated Statement of Financial Position

At 31st March 2013

	Notes	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**86,211**	210,528
Reserves		**7,056**	(281,240)
Equity attributable to owners of the Company		**93,267**	(70,712)
Non-controlling interests		**135**	(2,679)
		93,402	(73,391)

The consolidated financial statements on pages 35 to 94 were approved and authorised for issue by the Board of Directors on 27th June 2013 and are signed on its behalf by:

Zhu Xinjiang	**Kung Chi Kang, Silver**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes In Equity

For the year ended 31st March 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital contribution reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April 2011	166,875	252,994	6,354	–	173,550	(459)	(444,489)	154,825	(370)	154,455
Loss for the year	–	–	–	–	–	–	(306,945)	(306,945)	(2,309)	(309,254)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(464)	–	(464)	–	(464)
Total comprehensive expense for the year	–	–	–	–	–	(464)	(306,945)	(307,409)	(2,309)	(309,718)
Subtotal	166,875	252,994	6,354	–	173,550	(923)	(751,434)	(152,584)	(2,679)	(155,263)
Issue of shares upon conversion of convertible bonds	43,653	92,349	–	–	(54,130)	–	–	81,872	–	81,872
Lapse of share options	–	–	(2,151)	–	–	–	2,151	–	–	–
At 31st March 2012	210,528	345,343	4,203	–	119,420	(923)	(749,283)	(70,712)	(2,679)	(73,391)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(52,779)**	**(52,779)**	**37**	**(52,742)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(71)**	**-**	**(71)**	**-**	**(71)**
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**-**	**-**	**(71)**	**(52,779)**	**(52,850)**	**37**	**(52,813)**
Subtotal	**210,528**	**345,343**	**4,203**	**-**	**119,420**	**(994)**	**(802,062)**	**(123,562)**	**(2,642)**	**(126,204)**
Issue of shares upon conversion of convertible bonds	**5,000**	**7,839**	**-**	**-**	**(5,937)**	**-**	**-**	**6,902**	**-**	**6,902**
Capital reorganisation (note i)	**(193,976)**	**-**	**-**	**-**	**-**	**-**	**193,976**	**-**	**-**	**-**
Issue of shares	**64,659**	**87,289**	**-**	**-**	**-**	**-**	**-**	**151,948**	**-**	**151,948**
Redemption of convertible bonds	**-**	**-**	**-**	**-**	**(113,483)**	**-**	**113,483**	**-**	**-**	**-**
Derecognition of non-controlling interests on liquidation of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,777**	**2,777**
Waiver of amounts due to shareholders	**-**	**-**	**-**	**57,979**	**-**	**-**	**-**	**57,979**	**-**	**57,979**
Lapse of share options	**-**	**-**	**(749)**	**-**	**-**	**-**	**749**	**-**	**-**	**-**
At 31st March 2013	**86,211**	**440,471**	**3,454**	**57,979**	**-**	**(994)**	**(493,854)**	**93,267**	**135**	**93,402**

Notes:

(i) The Company reduced the issue share capital of the Company by cancelling the issued and paid-up capital of the Company to the extent of HK$0.09 on each issued and paid up share. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company and applied to set off against the accumulated losses of the Company.

(ii) The capital contribution represents the credits arising from waiver of debts owing by the Group to its shareholders.

Consolidated Statement of Cash Flows

For the year ended 31st March 2013

	Notes	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(52,742)**	(309,254)
Adjustments for:			
Finance costs		**20,253**	21,929
Interest income		**(3)**	(6)
Recovery of bad debts		**–**	(131)
Waive of amount due to a related party		**–**	(792)
Loss on disposal of property, plant and equipment		**50**	508
Loss on disposal of a subsidiary	29	**–**	3,106
Impairment loss recognised in respect of trade and other receivables		**–**	2,976
Impairment loss on exploration and evaluation assets	19	**24,408**	244,859
Exchange loss		**1,357**	2,130
Loss on liquidation of a subsidiary		**(39)**	–
Gain on redemption of convertible bonds		**(23,269)**	–
Depreciation of property, plant and equipment		**1,436**	2,883
Write-down of inventories		**–**	186
Operating cash flows before movements in working capital		**(28,549)**	(31,606)
Increase in inventories		**(68)**	(896)
(Increase) decrease in trade and other receivables		**(6,300)**	2,838
Increase (decrease) in trade and other payables and accrued charges		**3,996**	(2,761)
Increase in amount due to related parties		**800**	4
Net cash used in operations		**(30,121)**	(32,421)
Interest income received		**3**	6
NET CASH USED IN OPERATING ACTIVITIES		**(30,118)**	(32,415)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,250)**	(1,291)
Additions of exploration and evaluation assets		**(411)**	(1,036)
Withdrawal of pledged bank deposits		**1,723**	–
Placement of pledged bank deposits		**–**	(3)
Proceeds from disposal of property, plant and equipment		**6**	8
Proceeds from disposal of a subsidiary	29	**–**	1,714
NET CASH USED IN INVESTING ACTIVITIES		**(932)**	(608)

Consolidated Statement of Cash Flows

For the year ended 31st March 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Advance from related parties	**33,700**	30,630
Advance from a non-controlling interest of a subsidiary	**–**	7
Finance costs paid	**(52)**	(222)
Repayment of obligations under finance leases	**(23)**	(29)
NET CASH FROM FINANCING ACTIVITIES	**33,625**	30,386
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,575**	(2,637)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,004**	4,615
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**13**	26
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**4,592**	2,004
Represented by:		
Bank balances and cash	**4,592**	3,346
Bank overdrafts	**–**	(1,342)
	4,592	2,004

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's original parent company was CEC Resources and Minerals Holdings Limited and ultimate holding company was China Enterprise Capital Limited which were incorporated in British Virgin Islands. Since the issue of shares on 7th March 2013 as detailed in note 28, Sharp Victory Holdings Limited, a company incorporated in the British Virgin Islands and is controlled by Mr. Zhu Xinjiang, the Chairman of the Company, has become the Company's parent company and ultimate holding company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively the "Group") in light of the fact that its current liabilities exceeded its current assets by HK$28,755,000 as at 31st March 2013 and the Group incurred a loss of approximately HK$52,742,000 for the year then ended.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has completed the following transactions and has been implementing a number of measures, including but not limited to:

(i) As detailed in note 36, an aggregate of 400,000,000 shares have been placed and the net proceeds from the placing was approximately HK$47.6 million.

(ii) A shareholder of the Company has agreed not to demand repayment of the amount due to him of approximately HK$9.2 million as at 31st March 2013 in the next twelve months from the date of approval of these consolidated financial statements. The said shareholder also agreed to provide continuous financial support to the relevant subsidiary as necessary to enable the subsidiary to meet its financial obligations as they fall due for the foreseeable future.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1st April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

HKFRS 9 Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted. The director anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year beginning on 1st April 2015 and the adoption is not expected to have material impact on the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES

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

The principle accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Exploration and evaluation assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets *(Continued)*

Impairment of exploration and evaluation assets

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

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

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

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

The Group as lessee

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determine at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

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

Impairment of loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Convertible bond

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bond (Continued)

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees or consultants

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

Share options granted to employees or consultants (Continued)

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

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

Equity instruments granted for acquisitions of assets

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Key sources of estimation uncertainty

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

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). As a result of cash constraint, during the current year, the management continued to suspend further exploration work until the Group has sufficient funding for the operation. Besides, with the dropping coal price during the year which may have a significant impact on the related expected future cashflow from mining operation, therefore the management have assessed the impairment of the exploration and evaluation assets. As at 31st March 2013, the carrying amount of the exploration and evaluation assets was HK$119,410,000 (2012: HK$145,000,000). An impairment loss of HK$24,408,000 was recognised during the year ended 31st March 2013 (2012: HK$244,859,000). The recoverable amount of the exploration and evaluation assets have been determined on the basis of fair value less costs to sell. The calculations require the use of estimates, such as estimating the total resources of the coal mines. Details are set out in note 19. If the expectation differs from the original resource estimate, such difference will impact the recoverable amount of the exploration and evaluation assets.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes advances from related parties, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**5,140**	5,284
Financial liabilities		
Amortised cost	**29,022**	221,329
Obligations under finance leases	**–**	51
	29,022	221,380

7b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Group have monetary assets and liabilities denominated in US dollars, Renminbi, Euros and Swiss Franc other than the functional currency of the relevant group entities, which expose the Group to market risk arising from change in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31st March 2013 and 2012 are as follows:

	2013 **HK$'000**	2012 HK$'000
Assets		
Renminbi	**4**	5
US dollars	**1,285**	1,270
Liabilities		
Renminbi	**–**	95
US dollars	**–**	2,846
Euros	**–**	94
Swiss franc	**251**	–

Sensitivity analysis

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

The Group's sensitivity analysis is prepared by using a 5% (2012: 5%) increase and decrease in the functional currencies of the group entities against Renminbi, Swiss Franc, Euros and US dollars. 5% (2012: 5%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. Where the relevant foreign currencies strengthen 5% (2012: 5%) against the functional currencies of the group entities, the Group's post-tax loss for the year would be decreased by approximately HK$52,000 (2012: increased by approximately HK$22,000). For 5% weakening of the relevant foreign currencies against the functional currencies of the group entities, there would be an equal and opposite impact on the post-tax loss for the year.

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group's bank balances and bank overdrafts (see note 21 and 25 for details) carry floating-rate interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

The Group is exposed to fair value interest rate risk in relation to amounts due to related parties (see note 23 for details).

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

Sensitivity analysis

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

Credit risk

As at 31st March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

The directors of the Company have given careful consideration to the future liquidity of the Group and they are taking active steps to improve the liquidity position of the Group, details of which are set out in note 2.

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

	Weighted average interest rate	On demand	3 months or less	More than 3 months but within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2013							
Trade and other payables	**–**	**1,349**	**92**	**92**	**–**	**1,533**	**1,533**
Amounts due to related parties							
– non-interest bearing	**–**	**10,400**	**–**	**–**	**–**	**10,400**	**10,400**
Amounts due to related parties							
– interest bearing	**4.00**	**17,089**	**–**	**–**	**–**	**17,089**	**17,089**
		28,838	**92**	**92**	**–**	**29,022**	**29,022**
At 31st March 2012							
Trade and other payables	–	3,978	303	–	–	4,281	4,281
Amounts due to related parties							
– non-interest bearing	–	43,516	–	–	–	43,516	43,516
Amount due to a related party							
– interest bearing	4.00	–	–	7,330	–	7,330	7,094
Amount due to a non-controlling							
shareholder of a subsidiary	–	2,819	–	–	–	2,819	2,819
Obligations under finance leases	3.75	–	6	18	30	54	51
Bank overdrafts	5.75	1,342	–	–	–	1,342	1,342
Convertible bonds (note)	–	109,089	–	–	110,000	219,089	162,277
		160,744	309	7,348	110,030	278,431	221,380

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

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

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

8. REVENUE

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

	2013	2012
	HK$'000	HK$'000
Continuing operations		
Sales of health and beauty products	**4,881**	7,750
Provision of beauty services	**3,847**	2,555
	8,728	10,305
Discontinued operation		
Provision of logistic services	**–**	869
	8,728	11,174

9. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Continuing operations						Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Total		Logistic services			
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External sales	**8,728**	10,305	**-**	–	**8,728**	10,305	**-**	869	**8,728**	11,174
Segment loss	**(19,793)**	(23,655)	**(26,460)**	(250,457)	**(46,253)**	(274,112)	**-**	(1,601)	**(46,253)**	(275,713)
Unallocated income										
– Interest income					**3**	5	**-**	1	**3**	6
– Other income					**23,836**	792	**-**	–	**23,836**	792
Unallocated expenses										
– Central administration costs					**(10,075)**	(9,304)	**-**	–	**(10,075)**	(9,304)
– Finance costs					**(20,253)**	(21,929)	**-**	–	**(20,253)**	(21,929)
– Loss on disposal of a subsidiary					**-**	–	**-**	(3,106)	**-**	(3,106)
Loss before tax					**(52,742)**	(304,548)	**-**	(4,706)	**(52,742)**	(309,254)

Segment loss represents the loss incurred by each segment without allocation of interest income, other income, central administration costs, finance costs and loss on disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

9. **SEGMENT INFORMATION *(Continued)***

Segment assets and liabilities

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

	2013	2012
	HK$'000	HK$'000
Segment assets		
Health and beauty products and services	**11,443**	5,722
Coal mining	**119,521**	145,235
Total segment assets	**130,964**	150,957
Other unallocated assets	**7,295**	6,282
Consolidated assets	**138,259**	157,239
Segment liabilities		
Health and beauty products and services	**19,207**	51,592
Coal mining	**2,325**	2,475
Total segment liabilities	**21,532**	54,067
Other unallocated liabilities	**23,325**	176,563
Consolidated liabilities	**44,857**	230,630

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

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

- all liabilities are allocated to operating segments other than bank overdrafts, convertible bonds and head office liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Continuing operations								Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Unallocated		Total		Logistic services			
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:												
Capital expenditure	**2,248**	1,053	**411**	1,084	**2**	11	**2,661**	2,148	**-**	179	**2,661**	2,327
Depreciation	**1,241**	1,808	**111**	176	**84**	344	**1,436**	2,328	**-**	555	**1,436**	2,883
Impairment loss recognised in respect of trade and other receivables	**-**	–	**-**	2,409	**-**	–	**-**	2,409	**-**	567	**-**	2,976
Impairment loss on exploration and evaluation assets	**-**	–	**24,408**	244,859	**-**	–	**24,408**	244,859	**-**	–	**24,408**	244,859
Loss on disposal of property, plant and equipment	**25**	479	**1**	–	**22**	–	**48**	479	**-**	29	**48**	508
Write-down of inventories	**-**	186	**-**	–	**-**	–	**-**	186	**-**	–	**-**	186

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,728**	10,305	**2,639**	1,796
PRC	**–**	565	**–**	–
Mongolia	**–**	304	**119,518**	145,232
	8,728	11,174	**122,157**	147,028

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

9. SEGMENT INFORMATION *(Continued)*

Information about major customer

No single customer contributed over 10% revenue for the year ended 31st March 2013.

For the year ended 31st March 2012, included in revenue arising from sales of health and beauty products and services of HK$10,305,000 are revenue of HK$1,945,000 which arose from sales to the Group's largest customer and no other customers contributed over 10% revenue.

10. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income	**3**	5	**–**	1	**3**	6
Gain on redemption of convertible bonds	**23,269**	–	**–**	–	**23,269**	–
Waiver of amount due to a related party	**–**	792	**–**	–	**–**	792
Recovery of bad debt	**–**	131	**–**	–	**–**	131
Others	**1,009**	282	**–**	–	**1,009**	282
	24,281	1,210	**–**	1	**24,281**	1,211

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

11. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on						
– bank overdrafts	**52**	73	**–**	–	**52**	73
– obligations under finance leases	**1**	5	**–**	–	**1**	5
– amounts due to related parties	**358**	144	**–**	–	**358**	144
Effective interest expense on convertible bonds	**19,842**	21,707	**–**	–	**19,842**	21,707
	20,253	21,929	**–**	–	**20,253**	21,929

12. TAXATION

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

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

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

	2013	2012
	HK$'000	HK$'000
Loss before tax (from continuing operations)	**(52,742)**	(309,254)
Tax at Hong Kong Profits Tax rate of 16.5%	**(8,702)**	(51,027)
Tax effect of expenses not deductible for tax purpose	**8,245**	45,409
Tax effect of income not taxable for tax purpose	**(3,941)**	(89)
Tax effect of tax losses not recognised	**4,338**	5,462
Tax effect of utilisation of tax loss previous not recognised	**(61)**	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	**121**	245
Tax expense for the year	**–**	–

Details of deferred taxation are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

13. LOSS FOR THE YEAR

	Continuing operations 2013 HK$'000	Continuing operations 2012 HK$'000	Discontinued operation 2013 HK$'000	Discontinued operation 2012 HK$'000	Total 2013 HK$'000	Total 2012 HK$'000
Loss for the year has been arrived at after charging:						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**15,492**	16,308	**–**	594	**15,492**	16,902
Retirement benefits scheme contributions	**595**	574	**–**	–	**595**	574
Total employee benefits expenses	**16,087**	16,882	**–**	594	**16,087**	17,476
Auditors' remuneration	**1,217**	1,218	**–**	–	**1,217**	1,218
Cost of inventories recognised as an expense	**1,414**	2,513	**–**	–	**1,414**	2,513
Write-down of inventories	**–**	186	**–**	–	**–**	186
Depreciation of property, plant and equipment	**1,436**	2,328	**–**	555	**1,436**	2,883
Loss on disposal of property, plant and equipment	**48**	479	**–**	29	**48**	508
Operating lease rentals in respect of rented premises	**5,965**	8,808	**–**	49	**5,965**	8,857
Impairment loss recognised in respect of trade and other receivables	**–**	2,409	**–**	567	**–**	2,976
Net exchange loss	**1,357**	2,130	**–**	282	**1,357**	2,412

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

15. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2012: 9) directors of the Company were as follows:

2013

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Sun David Lee (Note 1)	–	960	–	960
Kwok Wing Leung, Andy (Note 2)	–	–	–	–
Non-executive director				
Zhu Xinjiang (Note 3)	8	–	–	8
Kung Chi Kang, Silver (Note 3)	8	–	–	8
Yeung Ting Lap, Derek Emory	180	–	–	180
Independent non-executive directors				
Ho Man Kin, Tony	60	–	–	60
Li Kar Fai, Peter	120	–	–	120
Edward John HILL III (Note 4)	107	–	–	107
Chiu Kam Hing, Kathy (Note 5)	24	–	–	24
	507	960	–	1,467

Notes:

1. Mr. Sun was re-designated from executive director to non-executive director of the Company on 2nd May 2013.

2. Mr. Kwok resigned as a director of the Company on 7th March 2013.

3. Mr. Zhu and Dr. Kung were appointed as non-executive directors of the Company on 15th March 2013 and re-designated to executive directors of the Company on 2nd May 2013. Mr. Zhu and Dr. Kung were appointed as the chairman of the Company and the chief executive officer of the Company on 2nd May 2013 respectively.

4. Mr. Hill was appointed as a director of the Company on 27th August 2012.

5. Ms. Chiu resigned as a director of the Company on 27th August 2012.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

(a) Directors' emoluments *(Continued)*

2012

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

Notes:

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

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

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

(b) Employees' emoluments

During the year, the five highest paid individuals included one director (2012: one director), details of whose emoluments are set out in (a) above.

The emoluments of the remaining four (2012: four) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**2,906**	3,012
Retirement benefits scheme contributions	**100**	99
	3,006	3,111

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Not exceeding HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

During the years ended 31st March 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals, or any of the directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office. During the year ended 31st March 2012, emoluments amounting to HK$3,072,000 was waived by the directors. No emoluments was waived by the directors for the year ended 31st March 2013.

(c) Remuneration of key management

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

16. LOSS PER SHARE

From continuing and discontinued operations

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

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(52,779)**	(306,945)

Number of shares	2013	2012
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,570,204,692**	2,002,774,119

The calculation of diluted loss per share for the year ended 31st March 2013 and 2012 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods, and the conversion of the Company's convertible bonds since its assumed conversion would result in a decrease in loss per share.

From continuing operations

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

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(52,779)**	(306,945)
Less: Loss for the year from discontinued operation attributable to owners of the Company	**–**	(2,400)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(52,779)**	(304,545)

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

16. LOSS PER SHARE *(Continued)*

From discontinued operation

Basic and diluted loss per share from discontinued operation is calculated based on the loss for the year ended 31st March 2012 from discontinued operation of HK$2,400,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

17. DISCONTINUED OPERATION

In July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in TTC&T LLC ("TTC&T"), which carried out the Group's logistic services business. The logistic services segment was discontinued upon the completion of disposal of TTC&T on 31st July 2011. Details of the assets and liabilities disposed of and the calculation of the loss on disposal are set out in note 29.

The loss for the year from the discontinued operation for the year ended 31st March 2012 is analysed as follows:

	HK$'000
Loss from logistic services business for the year	(1,600)
Loss on disposal of a subsidiary (note 29)	(3,106)
	(4,706)

The cash flows of discontinued operation for the year ended 31st March 2012 contributed to the Group were as follows:

	HK$'000
Net cash from operating activities	276
Net cash used in investing activities	(464)
Net cash from financing activities	16
Net cash outflows	(172)

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST					
At 1st April 2011	1,447	4,790	1,483	6,884	14,604
Exchange realignment	(15)	–	(23)	(331)	(369)
Additions	175	779	171	166	1,291
Disposals	(201)	(2,058)	(65)	–	(2,324)
Disposal of a subsidiary	(167)	–	(7)	(6,298)	(6,472)
At 31st March 2012	1,239	3,511	1,559	421	6,730
Exchange realignment	**(4)**	**–**	**(17)**	**(27)**	**(48)**
Additions	**572**	**1,352**	**326**	**–**	**2,250**
Disposals	**(283)**	**(792)**	**(81)**	**–**	**(1,156)**
At 31st March 2013	**1,524**	**4,071**	**1,787**	**394**	**7,776**
DEPRECIATION					
At 1st April 2011	675	2,287	1,059	739	4,760
Exchange realignment	(4)	–	(17)	(52)	(73)
Provided for the year	226	1,727	304	626	2,883
Eliminated on disposals	(143)	(1,612)	(32)	–	(1,787)
Eliminated on disposal of a subsidiary	(20)	–	(1)	(1,060)	(1,081)
At 31st March 2012	734	2,402	1,313	253	4,702
Exchange realignment	**(3)**	**–**	**(16)**	**(19)**	**(38)**
Provided for the year	**191**	**986**	**178**	**81**	**1,436**
Eliminated on disposals	**(220)**	**(778)**	**(73)**	**–**	**(1,071)**
At 31st March 2013	**702**	**2,610**	**1,402**	**315**	**5,029**
CARRYING VALUES					
At 31st March 2013	**822**	**1,461**	**385**	**79**	**2,747**
At 31st March 2012	505	1,109	246	168	2,028

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

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

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

At 31st March 2012, the carrying value of the Group's office equipment included an amount of approximately HK$63,000 (2013: Nil) in respect of assets held under finance leases.

19. EXPLORATION AND EVALUATION ASSETS

	Total
	HK$'000
At 1st April 2011	391,349
Additions of exploration and evaluation works during the year	1,036
Impairment loss	(244,859)
Exchange realignment	(2,526)
At 31st March 2012	145,000
Additions of exploration and evaluation works during the year	**411**
Impairment loss	**(24,408)**
Exchange realignment	**(1,593)**
At 31st March 2013	**119,410**

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

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

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

GF Acquisition

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

Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion and shall be determined based on the proved coal ore reserves and probable coal ore reserves in the Saikhan Ovoo coal deposit held by SMI by reference to the technical assessments (the "SMI Technical Assessment") prepared by a technical adviser. The consideration for the GF acquisition can be up to maximum of RMB760 million. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the due date for delivery of the SMI Technical Assessment to 31st March 2012. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended. During the current year, the SMI Technical Assessment has not been delivered and is still under negotiation with the vendor at the date of approval of these consolidated financial statements.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

GF Acquisition *(Continued)*

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

During the year ended 31st March 2013, the Group had incurred an amount of approximately HK$411,000 (2012: HK$1,036,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including groundwater geophysical survey expense, licence fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity during the year.

During the year ended 31st March 2012, as a result of cash constraint, the management decided to suspend further exploration work until the Group has sufficient funding for the operations. This change had a significant impact on the related expected future cash flow from mining operations therefore an impairment loss of HK$244,859,000 was recognised during the year ended 31st March 2012.

During the year ended 31st March 2013, the management continued to suspend further exploration work as the Group does not obtain sufficient funding for the operation. Besides, with the dropping coal prices during the year, which may have a significant impact on the related expected future cash flow from mining operation, the management has assessed the impairment of the exploration and evaluation assets.

An impairment loss of HK$24,408,000 was recognised during the year ended 31st March 2013. The recoverable amount of the exploration and evaluation assets have been arrived at based on a valuation carried out by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to similar market prices for similar assets in the similar locations and conditions.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

GF Acquisition *(Continued)*

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

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

During the year ended 31st March 2013, legal counsel of SMI has confirmed two mining rights are within the area designated, on a preliminary basis, as land where mineral exploration and mining are prohibited under the MPL. However, there has been no revocation of these licenses as at 31st March 2013 and the date of approval of the consolidated financial statements. The management also considers that even if the licenses were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no further impairment on the mining rights apart from the impairment loss recognised as mentioned above. If the Group's affected mining concessions were revoked due to the MPL and the compensation paid by the Mongolian government was significantly less than the carrying amount of the exploration and evaluation assets, the Group would incur a significant impairment loss on the exploration and evaluation assets.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

PF Acquisition

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

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

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

20. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	548	215
Other receivables, deposits and prepayments	8,628	2,661
	9,176	2,876

The Group's turnover comprises mainly cash and credit card sales. The credit terms with bank/credit card companies are within 120 days from the date of billings. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 to 90 days	422	215
91 to 120 days	126	–
	548	215

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. The trade receivables that are neither past due nor impaired have no default payment history. As at 31st March 2013, management assessed and considered the Group's outstanding trade receivables are in good credit quality. No trade receivable balance as at 31st March 2013 and 2012 are past due at the end of the reporting period.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits as at 31st March 2012 carry fixed interest rate which ranged from 0.01% to 0.30% per annum. These deposits were pledged to secure bank overdrafts and short-term general facilities and they were therefore classified as current assets. The Group had no pledged bank deposits nor secured bank overdraft as at 31st March 2013.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

Bank balances

Bank balances carry interest at market rates ranged from 0.001% to 0.05% (2012: 0.001% to 0.05%) per annum.

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

	Renminbi	US dollars	Total
	HK$'000	HK$'000	HK$'000
At 31st March 2013	**4**	**1,285**	**1,289**
At 31st March 2012	5	1,270	1,275

22. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2013	2012
	HK$'000	HK$'000
Trade payables:		
0 to 90 days	**1,340**	2,073
91 to 180 days	**92**	–
181 to 365 days	**92**	1,815
Over 365 days	**–**	291
	1,524	4,179
Deposits received from customers	**5,348**	2,465
Accrued charges	**8,235**	4,376
Other payables (note)	**2,261**	2,511
	17,368	13,531

Note: During the year ended 31st March 2012, a tax inspection was made to a subsidiary of the Group in Mongolia covering the period from 2007 to 2010. A tax assessment letter was issued to that subsidiary amounted MNT409,251,000 (equivalent to approximately HK$2,253,000) regarding the withholding tax for purchasing mining rights which was taken place before that subsidiary became a member of the Group. That subsidiary is currently appealing to the Mongolian tax department and this matter has not yet been concluded up to the date of approval of these financial statements. The Group recorded this withholding tax payment as liability and will try to recover this amount from the former holders of the mining rights. However, in the opinion of the directors, the recoverability of this amount from the former holders of the mining rights is uncertain. Accordingly, impairment of full amount has been recognised in profit or loss for the year ended 31st March 2012.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

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

	Renminbi HK$'000	US dollars HK$'000	Euros HK$'000	Swiss franc HK$'000	Total HK$'000
As at 31st March 2013	–	–	–	**251**	**251**
As at 31st March 2012	34	89	94	–	217

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

	Notes	**2013 HK$'000**	2012 HK$'000
Mr. Sun David Lee	(i)	**1,200**	400
Mr. Kwok Wing Leung, Andy	(ii)	**9,200**	43,116
CEC	(iii)	**7,000**	7,094
Elmfield Limited	(iv)	**10,089**	–
Amounts due to related parties		**27,489**	50,610
Amount due to a non-controlling shareholder of a subsidiary	(v)	**–**	2,819

Notes:

(i) Mr. Sun is a director of the Company. The amount is unsecured, interest-free and repayable on demand.

(ii) Mr. Kwok is a shareholder of the Company. The amount is unsecured, interest-free and repayable on demand. During the year ended 31st March 2013, Mr. Kwok made further advances to the Group to finance its operations. On 7th March 2013, an amount of HK$57,616,000 was waived by Mr. Kwok. This amount has been credited to capital contribution reserve as deemed capital contribution by a shareholder.

(iii) CEC is a shareholder of the Company. The amount is unsecured, carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. three months from the first drawdown date, unless extended by CEC at its sole discretion. On 7th March 2013, an amount of HK$363,000 was waived by CEC. This amount has been credited to capital contribution reserve as deemed capital contribution by a shareholder.

(iv) Elmfield Limited is controlled by Dr. Kung Chi Kang, Silver, a director of the Company. The amount is unsecured, carries interest at 4% per annum and shall be repaid in full on maturity date, ie. six months from the first drawdown date, unless extended by Elmfield Limited at its sole discretion.

(v) The amount is unsecured, interest-free and repayable on demand. During the year ended 31st March 2013, the amount was waived by the non-controlling shareholder of a subsidiary upon the liquidation of the subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**–**	24	**–**	22
In more than one year but not more than two years	**–**	24	**–**	23
In more than two years but not more than five years	**–**	6	**–**	6
	–	54	**–**	51
Less: Future finance charges	**–**	(3)	**N/A**	N/A
Present value of lease obligations	**–**	51	**–**	51
Less: Amounts due within one year shown under current liabilities			**–**	(22)
Amounts due after one year			**–**	29

The lease terms is five years. The effective borrowing rate is 3.75% per annum. Interest rate underlying the obligations under finance leases is fixed at the contract dates. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The financial lease is terminated during the year ended 31st March 2013.

25. SECURED BANK OVERDRAFTS

The bank overdrafts as at 31st March 2012 carried interest ranging at prime rate (as quoted by the bank) plus 0.5% per annum. The effective interest rate was 5.75% per annum.

26. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$145 million (2012: HK$119 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At 31st March 2013, included in unrecognised tax losses are losses of HK$2,963,000 (2012: HK$3,937,000) that will expire in 2013 to 2015 (2012: 2012 to 2014), other losses may be carried forward indefinitely.

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

27. CONVERTIBLE BONDS

Upon completion of GF acquisition in July 2008, the Company issued unsecured zero coupon convertible bond with a principal amount of HK$218,221,675 and maturity of five years from the issue date at an initial conversion price of HK$0.25 per share (subject to anti-dilutive adjustments) (the "GF Convertible Bonds") and the consideration shares to CEC Resources as consideration for the GF acquisition. CEC Resources became a shareholder of the Company thereafter. Details of these are set out in note 19.

On 28th February 2011, the Company issued the unsecured five-year zero coupon Termination Convertible Bonds in the principal amount HK$110,000,000 with an initial conversion price of HK$0.20 per share (subject to anti-dilutive adjustments) as part of the Settlement Consideration for the Deed of Settlement to terminate the PF acquisition and to release the Company from all claims in connection with the PF Agreement. Details of these are set out in note 19.

The holders of the GF Convertible Bonds and the Termination Convertible Bonds had the right to convert the whole or any part of the outstanding principal amount of the convertible bond into shares of HK$0.10 each (after capital reorganisation of the Company's shares on 5th March 2013 as set out in note 28: HK$0.01) in the share capital of the Company at any time during the period commencing from the date immediately following the date of issue of the convertible bonds up to the day immediately prior to and exclusive of the maturity date at the conversion price of HK$0.25 per share and HK$0.20 per share for the GF Convertible Bonds and the Termination Convertible Bonds respectively. The convertible bonds might not be converted to the extent that, following such conversion, the bond holder would directly or indirectly control or be interested in an aggregate of 30% or more of the issued shares as enlarged by the issue of the conversion shares (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer).

The holders of the GF Convertible Bonds and the Termination Convertible Bonds had the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds at any time during the period commencing from the next day following the third anniversary of the issue of the convertible bonds and ending on the date immediately before the maturity date. Accordingly, the liability component of the GF Convertible Bonds was classified as a current liability as at 31st March 2012.

27. CONVERTIBLE BONDS *(Continued)*

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

27. CONVERTIBLE BONDS *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
At the beginning of the year	**162,277**	222,442
Effective interest expenses charged for the year	**19,842**	21,707
Converted during the year	**(6,902)**	(81,872)
Redemption during the year	**(175,217)**	–
At the end of the year	**–**	162,277
Less: Amount included in current liabilities	**–**	(90,876)
Amount due after one year	**–**	71,401

On 16th June 2011 and 5th July 2011, an aggregate principal sum of HK$52,000,000 and HK$57,133,000 of the GF Convertible Bonds was converted by the bond holder respectively, details of which are set out in note 28.

On 22nd October 2012, an aggregate principal sum of HK$10,000,000 of the Termination Convertible Bonds was converted by the bond holder, details of which are set out in note 28.

During the year ended 31st March 2013, the Company entered into redemption agreements to redeem the remaining GF Convertible Bonds and Termination Convertible Bonds with principal amount of HK$109,089,015 and HK$100,000,000 respectively, at a total consideration amounted to approximately HK$151,948,000 which was financed by the issuance of 6,465,850,314 ordinary shares to Sharp Victory Holdings Limited. The redemption was completed on 7th March 2013. The consideration was all allocated to the liability components of the respective convertible bonds as the fair value of the equity component is considered minimal. To the extent that the amount of the consideration allocated to the liability component is smaller than the carrying amount of the liability component, a gain on redemption of convertible bonds of approximately HK$23,269,000 was recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

28. SHARE CAPITAL

	Notes	Authorised Number of shares	Authorised Nominal value HK$'000	Issued and fully paid Number of shares	Issued and fully paid Nominal value HK$'000
Ordinary shares of HK$0.10 each (after capital reorganisation of the Company's shares on 5th March 2013 as set out in note (iii): HK$0.01)					
At 1st April 2011		30,000,000,000	3,000,000	1,668,752,800	166,875
Issue of shares upon conversion of convertible bonds	(i)	–	–	436,530,638	43,653
At 31st March 2012		30,000,000,000	3,000,000	2,105,283,438	210,528
Issue of shares upon conversion of convertible bonds	(ii)	**–**	**–**	**50,000,000**	**5,000**
Capital reorganisation	(iii)	**270,000,000,000**	**–**	**–**	**(193,976)**
Issuance of shares	(iv)	**–**	**–**	**6,465,850,314**	**64,659**
At 31st March 2013		**300,000,000,000**	**3,000,000**	**8,621,133,752**	**86,211**

Notes:

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

(ii) On 22nd October 2012, Termination Convertible Bonds with principal amount of HK$10,000,000 were converted into 50,000,000 ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.20 per share. The new shares rank pari passu with all other shares in issue in all respects.

(iii) On 5th March 2013, the Company reduced the issued share capital of the Company by cancelling the issued and paid up capital of the Company to the extent of HK$0.09 on each issued and paid up share. Each authorised but unissued share of par value HK$0.10 be subdivided into ten shares, each of par value of HK$0.01.

(iv) On 4th December 2012, the Company entered into the subscription agreement with Sharp Victory Holdings Limited as the subscriber, Mr. Zhu Xinjiang as the guarantor and CEC, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the subscription shares at the price of HK$0.0235 per subscription share for a total consideration of approximately HK$151,948,000. The transaction was approved by the shareholders in a special general meeting.

On 7th March 2013, the Company has allotted and issued 6,465,850,314 ordinary shares of HK$0.01 each of the Company at the price of HK$0.0235 per share for a total consideration of approximately HK$151,948,000. The proceeds were used to redeem all outstanding principal amounts under each of the GF Convertible Bonds and Termination Convertible Bonds. The new shares rank pari passu with all other shares in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

29. DISPOSAL OF A SUBSIDIARY

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

Consideration received

	HK$'000
Cash received	2,000

Analysis of assets and liabilities over which control was lost

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

Loss on disposal of a subsidiary

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

The loss on disposal is included in the loss for the year ended 31st March 2012 from discontinued operation in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

29. DISPOSAL OF A SUBSIDIARY *(Continued)*

Net cash inflow on disposal of a subsidiary

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

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

30. SHARE-BASED PAYMENT TRANSACTIONS

Share options of the Company

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

(a) 2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.01 each (which was adjusted to HK$0.10 per share following the consolidation of the Company's shares on 20th December 2004 and further adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

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

(b) 2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007. Under the 2007 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.10 each (which was adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

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

Share options of the Company *(Continued)*

The following table discloses movements in the Company's share options during the year ended 31st March 2013 and 2012:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2011	Lapsed during the year	At 31st March 2012	Lapsed during the year	At 31st March 2013
Directors	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	10,000,000	(10,000,000)	–	–	–
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	31,000,000	(2,000,000)	29,000,000	(2,000,000)	27,000,000
	2007	18th October 2010	N/A	18th October 2010 to 17th October 2020	0.275	10,000,000	(10,000,000)	–	–	–
Employees	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	4,950,000	–	4,950,000	(4,950,000)	–
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	170,000	–	170,000	–	170,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	2,000,000	–	2,000,000
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	7,000,000	(3,000,000)	4,000,000	(4,000,000)	–
	2007	1st December 2010	N/A	1st December 2010 to 30 November 2020	0.250	1,300,000	(300,000)	1,000,000	(1,000,000)	–
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	–	5,442,320	–	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	18,060,000	–	18,060,000
						89,922,320	(25,300,000)	64,622,320	(11,950,000)	52,672,320
Exercisable at end of the year								64,622,320		52,672,320
						HK$	HK$	HK$	HK$	HK$
Weighted average exercise price						0.241	0.270	0.229	0.233	0.228

During the year ended 31st March 2013 and 2012, no options have been granted or agreed to be granted under the 2003 Scheme and 2007 Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

31. OPERATING LEASES

The Group as lessee

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**7,308**	3,438
In the second to fifth year inclusive	**4,876**	1,642
	12,184	5,080

Operating lease payments represent rentals payable by the Group for certain of its beauty service centres, retail shops, offices and warehouses operated by the subsidiaries. Leases are negotiated for terms ranging from one to three years and rentals are either fixed over the lease terms or are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to compute the above commitments.

32. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group participates in MPF Schemes established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

Mongolia

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

33. PLEDGE OF ASSETS

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

	2013 **HK$'000**	2012 HK$'000
Property, plant and equipment	–	63
Bank deposits	–	1,723
	–	1,786

34. RELATED PARTY DISCLOSURES

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

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

(iii) Interest expenses of HK$268,000 (2012: HK$144,000) and HK$90,000 (2012: HK$Nil) were paid to CEC and Elmfield Limited respectively during the year.

35. CAPITAL COMMITMENTS

(i) The capital commitments in respect of the acquisition of property, plant and equipment and exploration work to be performed contracted for but not provided for in the consolidated financial statements amounted to HK$227,000 (2012: HK$109,000).

There were no capital commitment in respect of the exploration work to be performed authorised but not contracted for as at 31st March 2013 and 31st March 2012.

35. CAPITAL COMMITMENTS *(Continued)*

(ii) Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion and shall be determined by reference to the SMI Technical Assessment. The Company shall pay to CEC Resources an amount equal to the reported reserves (in tonnage) multiplied by the price of RMB4.00 per tonne. The reported reserves are the aggregate amount (in tonnage) of the proved coal ore reserves and the probable coal ore reserves which, pursuant to the SMI Technical Assessment, exceed the reserves reference amount of 69.6 million tonnes. The Company shall not be required to pay CEC Resources for any reported reserves, which, together with the reserves reference amount, is in excess of 190 million tonnes. The total consideration for the GF acquisition can be up to the maximum of RMB760 million. The contingent consideration for the GF acquisition is approximately RMB481.6 million.

Also on 31st January 2008, the Group and Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a director of the Company, entered into a service agreement pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under the acquisition agreements as set out in note 19 and for procuring the completion of the acquisitions in accordance with the agreements.

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

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

During the year ended 31st March 2011, the PF acquisition was terminated as set out in note 19. Therefore, the issuance of new shares to Mr. Yeung in respect of the payment of consideration for PF acquisition by the Company was no longer required as a result of the termination.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 22th April 2013, the Company entered into a placing agreement with the placing agent, Shenyin Wanguo Capital (H.K.) Limited, pursuant to which the placing agent has conditionally agreed to place 400,000,000 shares of the Company at the price of HK$0.12 per share. The number of 400,000,000 shares represented approximately 4.43% of the issued share capital of the Company as enlarged by the allotment and issue of the shares. The gross proceeds from the placing was approximately HK$48 million. The net proceeds from the placing amounted to approximately HK$47.6 million was used for repaying the outstanding debts to CEC and Elmfield Limited, and for general working capital of the Group. The placing was completed on 29th April 2013.

(ii) On 7th June 2013, the Company entered into a non-legal binding memorandum of understanding with an intended seller in relation to the proposed acquisition of certain interest in the issued share capital of a target company. The target company is incorporated in Italy and is principally engaged in the business of solar power generated electricities to power grid in Italy.

37. MAJOR NON-CASH TRANSACTIONS

For the year ended 31st March 2013, the Group has allotted and issued 6,465,850,314 ordinary shares of HK$0.01 each of the Company at the price of HK$0.0235 per share for a total consideration of approximately HK$151,948,000 to Sharp Victory Holdings Limited. The proceeds were transferred directly by Sharp Victory Holdings Limited to CEC for the redemption by the Company of all outstanding principal amounts under each of the GF Convertible Bonds and Termination Convertible Bonds.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2013

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2013 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of of issued share capital held by the Company indirectly		Principal activities
			2013	2012	
NB Management Services Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Provision of management services
Procare (Holdings) Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and investment holding
Procare International Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and provision of beauty services
SMI LLC	Mongolia	10,000 common shares of Mongolia Tögrög1,200 each	**100%**	100%	Coal mining

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

Summarised Statement of Financial Position of the Company

The summarised statement of financial position of the Company as at 31st March 2013 and 2012 is as follows:

	2013 HK$'000	2012 HK$'000
Total assets	**123,328**	124,751
Total liabilities	**(21,602)**	(171,661)
	101,726	(46,910)
Share capital	**86,211**	210,528
Reserves	**15,515**	(257,438)
Total equity	**101,726**	(46,910)

Loss for the year of the Company amounted to approximately HK$10,577,000 (2012: HK$306,114,000)

Financial Summary

RESULTS

	For the year ended 31st March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**8,728**	11,174	8,531	6,866	16,411
LOSS BEFORE TAXATION	**(52,742)**	(309,254)	(207,690)	(76,389)	(35,466)
TAXATION	**–**	–	–	–	390
LOSS FOR THE YEAR	**(52,742)**	(309,254)	(207,690)	(76,389)	(35,076)
Loss for the year attributable to:					
Owners of the Company	**(52,779)**	(306,945)	(207,064)	(76,245)	(35,076)
Non-controlling interests	**37**	(2,309)	(626)	(144)	–
	(52,742)	(309,254)	(207,690)	(76,389)	(35,076)

ASSETS AND LIABILITIES

	At 31st March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**138,259**	157,239	416,646	439,035	495,745
TOTAL LIABILITIES	**(44,857)**	(230,630)	(262,191)	(147,667)	(131,227)
NET ASSETS (LIABILITIES)	**93,402**	(73,391)	154,455	291,368	364,518