昊天能源集團有限公司

# HAO TIAN RESOURCES GROUP LIMITED

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

# 2012/13 Annual Report

# Contents

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Xu Hai Ying
Dr. Zhiliang Ou, *J.P. (Australia)*
(re-designated on 9 August 2012)
Mr. Ma Lishan *(Chairman)*
(resigned on 9 August 2012)
Mr. Mak Yiu Tong (resigned on 31 May 2012)

## INDEPENDENT NON EXECUTIVE DIRECTORS

Mr. Chan Ming Sun, Jonathan
Mr. Ma Lin
Dr. Zhiliang Ou, *J.P. (Australia)*
(appointed on 11 June 2012)
(re-designated on 9 August 2012)
Mr. Lam Kwan Sing (appointed on 9 August 2012)
Mr. Zhu Yongguang (resigned on 9 August 2012)

## AUDIT COMMITTEE

Mr. Chan Ming Sun, Jonathan
*(Chairman of Committee)*
Mr. Ma Lin
Mr. Lam Kwan Sing

## EXECUTIVE COMMITTEE

Mr. Xu Hai Ying
Dr. Zhiliang Ou, *J.P. (Australia)*

## REMUNERATION COMMITTEE

Mr. Chan Ming Sun, Jonathan
*(Chairman of Committee)*
Dr. Zhiliang Ou, *J.P. (Australia)*
Mr. Lam Kwan Sing

## NOMINATION COMMITTEE

Dr. Zhiliang Ou, *J.P. (Australia)*
*(Chairman of Committee)*
Mr. Chan Ming Sun, Jonathan
Mr. Lam Kwan Sing

## COMPANY SECRETARY

Mr. Fok Chi Tak *(FCPA, FCCA, FCS, FCIS)*

## LEGAL ADVISERS

Troutman Sanders
34/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Guantao Law Firm
17/F, Tower 2
Ying Tai Center
No. 28, Finance Street
Beijing 100140, China

## AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

# Corporate Information

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Minsheng Banking Corp. Ltd.,
Hong Kong Branch
36/F., Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4917-4932, 49/F., Sun Hung Kai Centre,
30 Harbour Road, Wan Chai,
Hong Kong

## WEBSITE

www.haotianhk.com

# Financial Highlights

| For the years ended 31 March | 2013 | 2012 |
|---|---|---|
| **Operating Results** | **HK$'000** | HK$'000 |
| Revenue | **112,513** | 143,079 |
| Gross profit | **22,108** | 35,311 |
| Net loss | **(219,326)** | (378,458) |
| **Per Share Data** | **HK cents** | HK cents |
| Loss per share – basic and diluted | **(5.58)** | (12.98) |
| Net asset per share | **62.26** | 69.63 |
| **Financial Position** | **HK$'000** | HK$'000 |
| Total assets | **2,689,216** | 4,314,591 |
| Net assets | **2,447,303** | 2,734,561 |
| **Financial Ratios** | **%** | % |
| Gross profit to revenue | **19.6** | 25.7 |
| Debt to equity | **5.0** | 23.3 |

# Directors, Senior Management and Staff

## DIRECTORS

### Executive Directors

**Dr. Zhiliang Ou,** *J.P., (Australia)*, aged 44, was appointed as a Independent Non-executive Director of the Company on 11 June 2012 and was re-designated as an Executive Director of the Company in August 2012. Dr. Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from The University of Western Australia, Australia. He also holds two Bachelor of Engineering degrees in Engineering Management & Structural Engineering respectively from Tongji University (同濟大學). Dr. Ou has over 23 years of professional engineering and management experience in oil & gas, mining and infrastructure industries both in Australia and China. He has been a senior staff member in the world's leading energy & resource firms including Kellogg Brown & Root (formerly known as KBR Halliburton), WorleyParsons Pty Ltd., as well as Sedgman Ltd., which is specialising in coal processing and handling plants. Dr. Ou participated in a number of key energy and resource projects around the world such as acting as the Lead Civil and Structural Engineer for BHP Billiton RGP6 Jimblebar project; Rio Tinto iron ore Dove Siding expansion project; Chevron Wheatstone Domgas LNG Pipeline project; Yemen LNG Project (in the Republic of Yemen) and Western Australia Dampier to Bunbury Natural Gas Pipeline (Stage 5B) project, etc. Dr. Ou also has extensive experience and network in China. He was the general manager of 福建省黎明建築工程公司 (Fujian Liming Construction Company*) from 1993 to 1997. He is currently a Guest Professor for Inner Mongolia University (內蒙古大學) and Inner Mongolia University of Science & Technology (內蒙古科技大學) in China.

**Mr. Xu Hai Ying**, aged 59, was appointed as a Non-executive Director of the Company on 1 January 2012 and was re-designated as an Executive Director of the Company in February 2012. Mr. Xu is the senior technical consultant and senior manager of 中國節能環保集團有限公司 (China Jieneng Huangbao Group Company Limited*), whose principal business is the development of energy conservation technologies, clean and new energy, and energy infrastructure construction. Mr. Xu has substantial management experience and has been the manager of the representative offices of Wallem & Company Limited (華林船務集團有限公司) in Shanghai and Tianjin, The People's Republic of China ("PRC") and the chief representative of the Shanghai representative office of Hong Kong Maritime Company Limited (香港海運有限公司) and has served other management positions.

# Directors, Senior Management and Staff

## Independent Non-Executive Directors

**Mr. Chan Ming Sun Jonathan**, aged 41, was appointed as an Independent Non-executive Director of the Company in March 2012. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Computer Information Systems. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia. Mr. Chan has over 15 years of experience in auditing, accounting, investment and financial management. Mr. Chan is currently an associate director of Go-To-Asia Investment Limited. Mr. Chan is also an independent non-executive director of Xiangyu Dredging Holdings Limited (Stock code: 871) and FinTronics Holdings Company Limited (Stock code: 706), whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and of Changhong Jiahua Holdings Limited (Stock code: 8016), whose securities are listed on the growth enterprise market of the Stock Exchange. Mr. Chan resigned as independent non-executive director of Shenyang Public Utility Holdings Company Limited (Stock code: 747) on 21 June 2013.

**Mr. Ma Lin**, aged 60, was appointed as an Independent Non-executive Director of the Company in January 2012. Mr. Ma graduated from the Capital University of Economics and Business（首都經濟貿易大學）in 1982 with a bachelor degree in economics. Mr. Ma has been an officer of the State Commission for Economic Restructuring*（國家經濟體制改革委員會）in the PRC. In 1988, Mr. Ma joined the State Administration of Taxation*（國家稅務總局）in the PRC and served various important positions, including the Head of the Import and Export Tax Division*（進出口稅司司長）and the Head of Income Tax Division（所得稅司司長）. Mr. Ma is now an independent non-executive director of Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (Stock Code: 000001) and Henan Shuanghui Investment & Development Co., Ltd.（河南雙匯投資發展股份有限公司）(Stock Code: 00895), both of which are listed on the Shenzhen Stock Exchange in the PRC.

**Mr. Lam Kwan Sing**, aged 43, was appointed as an Independent Non-executive Director of the Company in August 2012. Mr. Lam graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 15 years of experience in the commercial and corporate finance field. Currently, Mr. Lam is a director of China National Resources, Inc. (a company listed on NASDAQ since 2003) and an executive director of two companies listed on the main board of the Stock Exchange, namely Rising Development Holdings Limited (stock code: 1004) and Enterprise Development Holdings Limited (stock code: 1808). Mr. Lam was an executive director of Shanghai Industrial Urban Development Group Limited (a company listed on the main board of the Stock Exchange, stock code: 563) from May 2008 to July 2010.

# Directors, Senior Management and Staff

## CHIEF EXECUTIVE OFFICER

**Ms. Li Shao Yu**, aged 43, was appointed as Chief Executive Officer in February 2012. Ms. Li is a director of various members of the Group. Ms. Li is a substantial shareholder of the Company. She is not a Director of the Company.

## COMPANY SECRETARY

**Mr. Fok Chi Tak**, aged 37, is the Chief Financial Officer and the company secretary since December 2010. Mr. Fok graduated from Oxford Brookes University in the United Kingdom with a bachelor's degree in Accounting and Finance and the University of Hong Kong with a master's degree in Business Administration. Mr. Fok is a fellow member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Fok is also a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Fok has over 13 years of experience in auditing and financial management.

* *for identification purposes only*

# Director's Statement

Dear Shareholders,

On behalf of Hao Tian Resources Group Limited (the "Company", and together with its subsidiaries, collectively the "Group"), I am pleased to present the annual results of the Group for the year ended 31 March 2013 (the "year under review").

During the year under review, the challenges facing our coal operation business were the decrease in global coal demand and decline in sales. As a response to these challenges, the Company has implemented strategic move from a coal operator towards coal investment sector, and has been actively exploring the opportunities beyond the coal industry and developing other revenue drivers.

In recent years, China witnessed rapid growth in the consumption volume of natural gas. However, the current level consumption of natural gas, which is a kind of clean and low-carbon energy with high energy efficiency, was still low, accounting for approximately 4.6% in the energy consumption structure in China. It was considerably lower than the average level of 23.8% in developed countries. Meanwhile, with expanding urban population due to urbanization in China, the demand for natural gas is expected to increase over time. Therefore, intensified efforts in the development of natural gas and other clean energy industries will play a significant role for China to achieve its objectives of optimization of energy industrial structure and strengthening of energy conservation and emission reduction.

Under the "Twelfth Five-Year Plan", the Chinese government has emphasized the rapid development of the natural gas industry and reduction of carbon emissions. The Chinese government aimed at increasing the supply of natural gas by promulgation of various policies and guidelines in conjunction with continued expansion of investment in natural gas infrastructures in recent years.

According to the "Twelfth Five-Year Plan for Natural Gas Development", during the "Twelfth Five-Year" period, it is expected that the average annual increase in natural gas consumption in China would be over 20 billion $m^3$ and will reach 230 billion $m^3$ by 2015. The natural gas utilization and penetration would be further increased and by that time, the domestic natural gas supply capacity would reach around 176 billion $m^3$. The proportion of natural gas in total primary energy consumption volume would also reach 7.5% by 2015, underpinning and promoting the rapid development of China's natural gas business in the future.

As one of the important regions for China's natural gas strategic development project known as "West-to-East Gas Supply", the Xinjiang regional government supports enterprises' investments in local natural gas industry through ensuring gas volume supply and offering favourable gas prices. Meanwhile, the Chinese government also signified its support to the foreign enterprises' investments in oil and gas industry, including Xinjiang oil and gas industry. These are signs of huge future growth opportunities in Xinjiang natural gas industry. In view of the above, the Group plans to develop the natural gas business in Xinjiang and will strive to become a comprehensive energy investment group based in Xinjiang.

# Director's Statement

The Group has entered into a framework agreement with Xinjiang Kuche County People's Government in respect of the construction of liquefied natural gas manufacturing plants, and plans to construct a natural gas station sales network throughout Xinjiang. The Group believes that with the development prospect of the industry as well as the rich resources of Xinjiang, coupled with the Group's experience and network in the development of resources in Xinjiang, the Group can achieve fruitful results in clean energy business.

Finally, on behalf of the Board, I would like to express my sincere gratitude to my fellow Directors, the management and staff for their joint efforts, and wish all shareholders may share the results of the Group after its business transformation.

**Dr. Zhiliang Ou**
*Executive Director*
Hong Kong, 21 June 2013

# Management Discussion and Analysis

## INDUSTRY REVIEW

As affected by the macroeconomic regulation and control within China, coupled with the changes in supply and demand of coal, the prices and sales in the coal industry dropped during the year under review. Despite the stabilization of the domestic economy, however, there was no significant rebound in the downstream industries such as the iron and steel, cement and construction materials. After years of rapid development, the coal industry has entered into an adjustment stage with western China becoming the important base for the development and construction of the coal industry.

Currently, the natural gas utilization has accounted for only 4.6% of the energy consumption structure in China, hence its development potential is tremendous. Moreover, the Chinese government has emphasized in its "Twelfth Five-Year Plan" the rapid development of the natural gas industry so as to restructure the energy consumption structure and reduce the impact of energy consumption on the environment. The Chinese government aimed at increasing the supply of natural gas by promulgation of various policies and guidelines in conjunction with continued expansion of investment in natural gas infrastructures in recent years. All these measures will increase the utilization rate of natural gas in China significantly and lead to significant opportunities for the future growth of the natural gas industry in China.

## BUSINESS AND FINANCIAL REVIEW

### Natural Gas Business

As the regional government of the Xinjiang Uygur Autonomous Region supports foreign enterprises' investments in the exploration of the abundant natural gas resources within the region, the Group is actively exploring the natural gas businesses in Xinjiang.

During the year under review, the Group has entered into a framework agreement with the Xinjiang Kuche County People's Government, pursuant to which the parties agreed on the proposed construction of liquefied natural gas project with projected annual capacity of 400,000 tons, and the construction of a sales network of about forty-eight liquefied natural gas stations in Southern Xinjiang. As at the date of this report, the Government of Xinjiang Uygur Autonomous Region has approved the construction of a total of eight liquefied natural gas stations in Fukang City, Kuche County and Baicheng County.

As the Group's natural gas business was still at the preliminary stage during the year under review, hence no revenue was recorded during the year under review.

# Management Discussion and Analysis

## Coal Mining Business and Its Related Investments

During the year under review, the Group has actively transformed its business from being principally engaging in the coal mining business to coal investment. On 30 May 2012, the Group completed the disposal of the entire equity interest in Wuhai City Menggang Industrial Development Co., Ltd. and its subsidiaries. Wuhai City Menggang Industrial Development Co., Ltd. indirectly held the entire interests in the coal mines and washing plants in Wuhai City.

On 22 February 2013, a resolution was passed at the extraordinary general meeting of the Company to approve the disposal of the entire equity interest of Champ Universe Limited, a wholly owned subsidiary of the Company, at a total consideration of HK$1,580,000,000. Champ Universe Limited held the entire interest of Baicheng Wenzhou coal mine. During the year under review, the production volume of Baicheng Wenzhou coal mine was approximately 226,633 tons, and the turnover from the sale of raw coal from discontinued operations was approximately RMB26,851,000 (approximately equivalent to HK$32,997,000).

## Packaging Box Business

The economic downturn in European market caused a drop in demand for plastic boxes and paper boxes of luxury consumer goods. During the year under review, revenue from packaging boxes segment declined by 19.8% to HK$112.5 million (2012: HK$140.2 million) as compared with last year. Gross profit margin reduced to approximately 19.6% (2012: 25.2%) which was attributable to a decline in order volume, increase in labour costs and continued appreciation of Renminbi. Total gross profit decreased to approximately HK$22.1 million (2012: HK$35.3 million).

## Other Income

For the year ended 31 March 2013, the Group recorded a total other income from continuing operations of approximately HK$4.4 million (2012: HK$2.6 million), representing an increase of approximately HK$1.7 million or 65.3% as compared to last year. The income was mainly attributable to the interest income earned from a finance company with a money lenders license.

# Management Discussion and Analysis

## Other Gain and Loss

For the year ended 31 March 2013, the Group recorded a total net other loss from continuing operations of approximately HK$71.9 million (2012: HK$248.5 million). The loss was mainly attributable to (i) fair value loss on secured notes, (ii) fair value loss on financial assets at fair value through profit or loss, and (iii) impairment loss on available-for-sale investments.

## Distribution and Selling Costs

For the year ended 31 March 2013, distribution and selling costs from continuing operations were approximately HK$2.3 million (2012: HK$3.4 million), representing a decrease of approximately HK$1.1 million or 32.2% as compared with last year. The decrease was due to the reduction in transportation cost from packing box business.

## Administrative Expenses

For the year ended 31 March 2013, administrative expenses from continuing operations were approximately HK$79.7 million (2012: HK$73.3 million), representing an increase of approximately HK$6.4 million or 8.8% as compared with last year. The increase was mainly due to (i) increase in rental expense in Hong Kong; (ii) increase in staff costs; and (iii) project expenses incurred for business operations.

## Other Expenses

For the year ended 31 March 2013, other expenses from continuing operations were approximately HK$4.6 million (2012: HK$8.8 million) which represented the legal and professional costs incurred for (i) the acquisition of Venture Path Limited and its subsidiaries; (ii) the disposal of Wuhai City Mengang Industrial Development Co., Ltd. and its subsidiaries (the "Mengang Group"); and (iii) the proposed disposal of Champ Universe Limited and its subsidiaries (the "Champ Universe Group").

## Finance Costs

For the year ended 31 March 2013, finance costs from continuing operations were approximately HK$1.3 million (2012: HK$49.0 million), representing a substantial decrease of approximately HK$47.7 million or 97.4% as compared with last year. The decrease was mainly due to the incurrence of interest expenses of convertible notes issued by the Company, which were redeemed in full during the year ended 31 March 2013.

# Management Discussion and Analysis

## Taxation

For the year ended 31 March 2013, the Group's income tax expense from continuing operations of approximately HK$2.2 million (2012: HK$4.0 million) representing a decrease of approximately HK$1.8 million or 45.1% as compared with last year. The decrease was mainly due to the reduction of income tax expense from other jurisdictions and Hong Kong.

## Owner's Attributable Loss

For the year ended 31 March 2013, the Group recorded a loss from continuing operations of approximately HK$135.5 million (2012: HK$349.0 million), while a net loss from discontinued operations of approximately HK$83.8 million (2012: HK$29.4 million). As a result, the total net loss from continuing operations and discontinued operations attributable to the shareholders for the year ended 31 March 2013 was approximately HK$219.3 million (2012: HK$378.5 million). The basic and diluted loss per share from continuing and discontinued operations was approximately HK5.58 cents (2012: HK12.98 cents).

## LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group funds its operations from a combination of internal resources, equity fund raising and financial instruments. As at 31 March 2013, the Group had cash and cash equivalents of approximately HK$283.2 million (2012: HK$44.0 million). The Group's working capital increased to approximately HK$1,980.6 million (2012: HK$1,032.4 million). Such increase was mainly due to the non-current assets of Champ Universe Group being classified as current assets as held for sale. Gearing ratio (a ratio of total borrowings to total assets) as at 31 March 2013 was approximately 4.6% (2012: 14.8%), such decrease was mainly due to the full redemption of the convertible notes issued by the Company during the year ended 31 March 2013.

On 6 May 2013, the Company entered into a facility agreement with a bank, pursuant to which, the bank will make available to the Company with a term loan facility of up to an aggregate of US$40,000,000 with a final maturity date falling three months after the facility is utilised (the "Facility"). The Facility bears interest at the rate of 4.50% per annum and an up-front fee calculated at 1% of the amount being drawn down.

The Facility is secured by two bank accounts, which the Company shall deposit an amount of RMB120,150,000 (approximately HK$149,875,000) upon the receipt of the remaining consideration from 內蒙古雙欣資源集團有限公司 (Inner Mongolia Shuangxin Resources Group Co., Ltd.*) and is secured by shares of certain subsidiaries of the Company.

# Management Discussion and Analysis

The Facility had been fully drawn down on 8 May 2013 and the proceeds were fully utilized to redeem the then outstanding notes with principal amount of US$40,000,000 issued to Cheer Hope Holdings Limited, a wholly-owned subsidiary of CCBI Investments Limited.

Save as stated, there were no other assets pledged at the day of reporting.

## CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2013, there were capital commitments of approximately HK$5.1 million (2012: HK$89.6 million) and HK$1,174.7 million (2012: HK$189.0 million) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorized but not contracted for respectively.

The Group had no material contingent liabilities as at the close of business on 31 March 2013.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's sales are denominated mainly in Hong Kong dollars ("HK$"), United States dollars ("US$"), Euro ("EUR") and Renminbi ("RMB"). The Group's purchases and expenses are mostly denominated in HK$ and RMB, and some in EUR and US$. The Group has certain foreign currency bank balances, investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arises.

## EMPLOYEE INFORMATION

As at 31 March 2013, the Group had a total of approximately 1,100 employees (2012: 1,200 employees) in the PRC, Hong Kong and France. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-managed retirement benefit schemes for its employees in the PRC and France. The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

The Group has also adopted a share option scheme. A summary of the share option scheme of the Group will be set out in note 45 to the consolidated financial statements.

# Management Discussion and Analysis

## PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2013.

## SIGNIFICANT INVESTMENT, MATERIALS ACQUISITIONS AND DISPOSALS

On 7 September 2011, the Group entered into a sale and purchase agreement with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd, pursuant to which, the Group agreed to dispose of the Menggang Group. For the year ended 31 March 2013, all of the conditions precedent of the sale and purchase agreement were fulfilled and the disposal was completed on 30 May 2012.

On 12 October 2012, the Group entered into a sale and purchase agreement with an independent third party, Up Energy Mining Limited, pursuant to which the Group has conditionally agreed to dispose of its entire interest in Champ Universe Group.

On 25 October 2012, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Uprite Limited, a company incorporated in the British Virgin Islands, to acquire a yacht and the accompanying marine facilities at a total consideration of HK$65 million. The acquisition was completed on 28 March 2013.

On 21 December 2012, a wholly-owned subsidiary of the Company entered into a memorandum of understanding (the "MOU") with Wealth Express Global Holdings Limited, a company incorporated in the British Virgin Islands and a connected party, to acquire a land situated in the PRC which is proposed to be used for logistic and storage purpose. A refundable deposit of HK$150 million was paid on 24 December 2012.

On 7 June 2013, a wholly-owned subsidiary of the Company acquired a convertible bond with principal amount of HK$90 million issued by Mascotte Holdings Limited from its broker at a consideration of HK$90 million. The bond is denominated in HK$ and will mature on 14 July 2014. Subsequently, on 17 June 2013, the bond was fully converted into 1,000,000,000 ordinary shares in Mascotte Holdings Limited at the conversion price of HK$0.09 per share.

Save as disclosed above, the Group has no other significant investment, material acquisition and disposal at the date of reporting.

# Management Discussion and Analysis

## BUSINESS PROSPECT

With increasing emphasis placed by the Chinese government on environmental protection and energy utilization efficiency, the respective policies in encouraging clean energy utilization and energy structure optimization were introduced one after another. The Group wishes to shift the business focus from mining industry to clean energy and to actively expand the natural gas business, explore investment opportunities and expand profit drivers, thereby capitalising on the encouragement and support of government policy.

The Group also plans to cooperate with China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited (its parent company, China Energy Conservation and Environmental Protection Group, is the only state-owned enterprise in China principally engaged in energy conservation, emission reduction and environmental protection, and is the largest technology-based and service-oriented industry group in energy conservation and environmental protection in China) to jointly develop new projects in green energy, new environmental protection materials and new energy technology. The Group also plans to cooperate with GCL Development Limited (its parent company, Golden Concord Group Limited, is a leading large-scale comprehensive enterprise specializing in environmental friendly energy in China) to jointly develop and adopt the technology of producing synthetic oil from natural gas as well as its related business, and to set up natural gas stations in Jiangsu Province and Anhui Province.

The long-term development plan of the Group will be found on clean energy, with development focus on Xinjiang's rich oil and natural gas resources. By leveraging on its resources advantages, coupled with national policy of encouraging the development of clean energy, the Group will expand its business gradually to various sectors of clean energy like production, processing, transportation and sales through various channels from its own organic development, investment, merger and acquisition, and joint venture, thereby enabling the Group to develop into and become a large comprehensive energy investment group participating in complete industry chains.

## DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2013 (2012: Nil).

# Report of Directors

The Directors of the Company present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principal engaged in the development and exploitation of underground coking coal mine in PRC and manufacture and sale of quality plastic and paper boxes for luxury consumer goods. The principal activities of its subsidiaries are set out in note 48 to the consolidated financial statements for the year ended 31 March 2013.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income for the year ended 31 March 2013 on pages 40 and 41 of this annual report. No final dividend was recommended by the Directors for the year ended 31 March 2013 (2012: Nil).

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2013, the Company's reserves available for distribution amounted to approximately HK$2,711,051,000. The distributable reserves include the Company's share premium reserve of approximately HK$2,819,640,000, which may be distributed subject to Section 34 of the Cayman Companies Law and the Articles of Association of the Company. Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 44 and 45 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

Details of the movements in the property, plant and equipment and mining rights of the Group are set out in notes 18 and 21 to the consolidated financial statements respectively for the year ended 31 March 2013.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 38 to the consolidated financial statements for the year ended 31 March 2013.

## WARRANT

On 21 January 2013, 785,500,000 warrants of the Company have been placed to independent placees at issue price of HK$0.01 per warrant at exercise price of HK$0.1625 per share. The proceeds from the placing of the warrants was approximately HK$7,855,000. The exercise period is twenty-four months from the issue date of the warrants so the last date to exercise of the subscription rights is on 20 January 2015.

# Report of Directors

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 March 2013 is set out on page 152 of this annual report.

## PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2013.

## DIRECTORS

The Directors during the year ended 31 March 2013 and up to the date of this annual report were:

### Executive Directors

Mr. Xu Hai Ying
Dr. Zhiliang Ou, *J.P. (Australia)* (re-designated on 9 August 2012)
Mr. Ma Lishan *(Chairman)* (resigned on 9 August 2012)
Mr. Mak Yiu Tong (resigned on 31 May 2012)

### Independent Non-Executive Directors

Mr. Chan Ming Sun, Jonathan
Mr. Ma Lin
Dr. Zhiliang Ou, *J.P. (Australia)* (appointed on 11 June 2012 and re-designated on 9 August 2012)
Mr. Lam Kwan Sing (appointed on 9 August 2012)
Mr. Zhu Yongguang (resigned on 9 August 2012)

According to the Company's Articles of Association, Mr. Xu Hai Ying and Mr. Ma Lin shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

# Report of Directors

## DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract or a letter of appointment with the Company for a term of three years, as the case requires. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. No Director proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by the Group within three months without compensation (other than statutory compensation).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent individuals.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2013, the interests of the Directors or their associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

### Long Positions in ordinary shares and underlying shares of the Company

| Name of Chief Executive | Capacity | Nature of Interest | Number of shares of the Company held | Number of underlying shares of the Company held | Total | Approximate percentage of total issued share capital |
|---|---|---|---|---|---|---|
| Li Shao Yu | Interest of controlled corporations | Corporate interest | 1,141,804,853 (Note 1) | – | 1,160,804,853 | 29.53% |
| | Beneficial owner | Personal interest | | 19,000,000 (Note 2) | | |

Notes:

1. Li Shao Yu has controlling interest in Hao Tian Group Holdings Limited, which, in turn, has controlling interest in TRXY Development (HK) Limited and Tai Rong Xin Ye International Power Generation Inc. TRXY Development (HK) Limited has also controlling interest in Real Power Holdings Limited.

2. These interests represented the interests in underlying shares in respect of share options granted by the Company to these Directors as beneficial owners under the Share Option Scheme adopted on 16 May 2006.

Other than as disclosed above, as at 31 March 2013, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the share options are set out in note 45 to the consolidated financial statements.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2013, the following entities have interests or short positions of 5% or more in the shares and underlying shares of the Company which were recorded in the Register of Substantial Shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

| Name | Number of shares of the Company held | Number of underlying shares of the Company held | Capacity | Total | Approximate percentage of total issued share capital |
|---|---|---|---|---|---|
| TRXY Development (HK) Limited | 359,655,351<br>522,400,561<br>(Note 1) | – | Beneficial owner<br>Interest of a controlled corporation | 882,055,912 | 22.44% |
| Real Power Holdings Limited | 522,400,561 | – | Beneficial owner | 522,400,561 | 13.29% |
| Tai Rong Xin Ye International Power Generation Inc. | 259,748,941 | – | Beneficial owner | 259,748,941 | 6.61% |

# Report of Directors

| Name | Number of shares of the Company held | Number of underlying shares of the Company held | Capacity | Total | Approximate percentage of total issued share capital |
|---|---|---|---|---|---|
| Hao Tian Group Holdings Limited | 1,141,804,853 | – | Interest of controlled corporations | 1,141,804,853 (Note 2) | 29.05% |
| Atlantis Capital Holdings Limited | 429,000,000 | – | Beneficial owner | 429,000,000 (Note 3) | 10.91% |
| Liu Yang | 429,000,000 | – | Interest of a controlled corporation | 429,000,000 (Note 3) | 10.91% |
| Heritage International Holdings Limited | 220,000,000 | – | Interest of a controlled corporation | 220,000,000 (Note 4) | 5.09% |
| Coupeville Limited | 220,000,000 | – | Interest of a controlled corporation | 220,000,000 (Note 4) | 5.09% |
| Dollar Group Limited | 220,000,000 | – | Beneficial owner | 220,000,000 (Note 4) | 5.09% |

Notes:

1. Real Power Holdings Limited is beneficially owned as to 75% by TRXY Development (HK) Limited.

2. Hao Tian Group Holdings Limited has controlling interest in TRXY Development (HK) Limited and Tai Rong Xin Ye International Power Generation Inc. TRXY Development (HK) Limited has also controlling interest in Real Power Holdings Limited.

3. As at 31 March 2013, Atlantis Capital Holdings Limited was beneficial owner of these shares in the Company, which, in turn, was wholly-owned by Liu Yang.

4. The three references to 220,000,000 shares related to the same block of shares. Heritage International Holdings Limited has controlling interest in Coupeville Limited, which, in return, has also controlling interest in Dollar Group Limited.

Other than as disclosed above, as at 31 March 2013, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the consolidated financial statements for the year ended 31 March 2013, no contracts of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above and the option holding disclosed in note 40 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2013.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2013, the aggregate sales attributable to the Group's largest customer and five largest customers respectively accounted for approximately 18.5% and 68.4% of the Group's total revenue for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers respectively accounted for approximately 20.4% and 39.4% of the Group's total purchases for the year.

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

## EMOLUMENT POLICY

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

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

# Report of Directors

## CONNECTED TRANSACTION

On 21 December 2012, the Group entered into a memorandum of understanding ("MOU") with directors of a subsidiary pursuant to which, the Group intends to acquire a land use right situated in the PRC through acquisition of a company owned by these directors. A refundable deposit of HK$150,000,000 has been paid. The refundable deposit is secured by the equity interest of the target company. Since the MOU is non-legally binding, the Group has no capital commitment as at 31 March 2013.

Save as abovementioned connected transaction, the Company or its subsidiaries did not have any material connected transactions which were subject to the requirements of the Listing Rules during the year ended 31 March 2013.

## SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and to the best of the knowledge of the Directors.

## AUDIT COMMITTEE

The Audit Committee, comprising three Independent Non-executive Directors, has reviewed, together with the management of the Company, the accounting principles, accounting standards and practices adopted by the Group and discussed the matters concerning internal control and financial reporting matters and have reviewed the consolidated financial statements of the Group for the year ended 31 March 2013.

## AUDITOR

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

On behalf of the Board

**Dr. Zhiliang Ou**
*Executive Director*

Hong Kong
21 June 2013

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures that are consistent with the "Corporate Governance Code" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Hong Kong Stock Exchange Limited (the "Stock Exchange"). The corporate governance principles of the Company emphasize on a quality board of Directors (the "Board"), sound internal control, transparency and accountability to all shareholders of the Company.

The Board is of the opinion that the Company has complied with the code provisions as set out in the CG Code, which were in force at the material time for the financial year ended 31 March 2013, except that the Nomination Committee is chaired by an Executive Director instead of an Independent Non-executive Director because the Board believed that an Executive Director involved in operations of the Company may be better positioned to review the composition of the Board so as to complement the Group's corporate strategy.

## BOARD COMPOSITION AND BOARD PRACTICES

### Role and function

The Board has the responsibility of promoting the success of the Company by developing the strategic direction of the Company and supervising its operations and affairs in an effective manner. Each Director has a fiduciary duty and statutory responsibilities towards the Company. Each Director is aware of his collective and individual responsibilities to all shareholders and that he should give sufficient time and attention to the affairs of the Company.

With the objective of enhancing shareholder value, the Board is responsible for the formulation and approval of overall business strategies and policies of the Group, management of the business and affairs of the Group, and monitoring of the performance of the management of the Group and is charged with presenting a balanced, clear and understandable assessment of the Group's performance, position and prospects in its annual and interim results, other announcements containing inside information and financial disclosures of the Company required under the Listing Rules and other applicable rules.

The Board reserved for its decision or consideration matters covering significant investment proposals, major acquisitions or disposals, financial results, recommendation on appointment or reappointment of Directors, internal control and risk management, major capital transactions or other significant operational or financial matters. Daily operations and management of the Group's business are delegated to the Chief Executive Officer and the management.

# Corporate Governance Report

## Composition

As at the date of this report, the Board comprises two Executive Directors, and three Independent Non-executive Directors.

| | Membership of Board Committee(s) |
|---|---|
| **Executive Directors:** | |
| Mr. Xu Hai Ying | |
| Dr. Ou Zhiliang, *J.P. (Australia)* | Chairman of the Nomination Committee<br>Member of the Remuneration Committee |
| **Independent Non-executive Directors:** | |
| Mr. Chan Ming Sun Jonathan | Chairman of the Audit Committee<br>Member of the Nomination Committee<br>Chairman of the Remuneration Committee |
| Mr. Ma Lin | Member of the Audit Committee |
| Mr. Lam Kwan Sing | Member of the Audit Committee<br>Member of the Nomination Committee<br>Member of the Remuneration Committee |

The non-executive members of the Board bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Group and promotes checks and balance of the management process to safeguard shareholders' interest. The Board will review regularly on the Board's composition and considers that the composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. Their biographical details are set out on pages 5 to 7 of this annual report.

The each Board member does not have any family, financial, business or other material/relevant relations with each other.

A list of our Directors has been published on the website of the Company and that of the Stock Exchange, and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

# Corporate Governance Report

## Appointment and re-election of Directors

The appointment, re-election and removal of Directors are governed by the articles of association of the Company.

The Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. The Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. If a shareholder wishes to propose a person for election as a Director at a general meeting of the Company, a shareholder may serve the Company a written notice and follow the designated procedures for nomination of Directors, which are available on the Company's website.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation, and becoming eligible for re-election in accordance with the articles of association. As such, every Director shall be subject to retirement at least once every three years.

Each Director (including the Independent Non-executive Directors) has entered into a service contract or a letter of appointment with the Company for a term of three years, subject to the retirement by rotation provisions of the articles of association of the Company.

## Supply of and access to information

All Board members have full access to relevant information both at the meetings and at regular intervals. Notices are given to all Directors for attending regular Board meetings approximately fourteen days before the meetings. For other Board meetings, reasonable notices are generally given. The Company Secretary assists the Board in preparing the meeting agenda and, during which, the Directors are consulted for matters to be included in the agenda for all regular meetings of the Board. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three days in advance of the relevant meetings or any reasonable time before such meetings.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors present. Full Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

# Corporate Governance Report

Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where Independent Non-executive Directors who have no material interests should be present at such meeting. Directors having a conflict of interest or material interests in a transaction will, before the meeting of the Board, declare his interest(s) therein in accordance with the articles of association of the Company, and shall abstain from voting on the resolution(s) and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

The Company Secretary shall provide professional advice on governance matters to the Directors. Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. All Directors are entitled to have access to board papers, minutes and related materials. The Board and each Director have separate and independent access to the Group's senior management. In addition, the Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board may resolve to provide appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

With the support of the Company Secretary, the Executive Directors seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

## Independent Non-executive Directors

Pursuant to Rule 3.10(1) and Rule 3.10(2) of the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company complied with these requirements throughout the financial year ended 31 March 2013, with three Independent Non-executive Directors, which represented more than one-third of the total members of the Board; and one of them has appropriate professional qualifications in accounting or related financial management expertise.

Each of the Independent Non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors meet with the guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines.

# Corporate Governance Report

## Liability insurance for the Directors

Appropriate insurance cover on directors' and officers' liabilities has been arranged in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

## Induction, information and ongoing development

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of directors under the Listing Rules and other relevant statutory requirements of Hong Kong and received an orientation covering meeting with external legal adviser for a briefing on director's duties and obligations and meeting with management for an overview of the Group. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company as well as business development and operation plans of the Company.

In compliance with code provision A.6.5, the Company has arranged for, and provided fund for, the Directors and the Company Secretary of the Company to participate in continuous professional development organized in the form of in-house training, seminars or other appropriate courses to keep them refresh of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices.

All Directors are required to provide the Company with their training records on an annual basis. For the year ended 31 March 2013, all Directors have attended the training sessions arranged by the Company. They have also attended and/or given speech at external seminars/training sessions.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority and aligns with the requirement under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer were segregated and performed by Mr. Ma Lishan and Ms. Li Shao Yu respectively until the resignation of Mr. Ma Lishan on 9 August 2012. Until the appointment of a new Chairman of the Board, the Board collectively would be able to focus on the overall strategic planning and development of the Group and effective functioning of the Board whereas Ms. Li would be able to oversee the day-to-day management of the business and operations of the Group.

## BOARD COMMITTEES

The Board has established four committees with defined terms of reference (available on the website of the Company and that of the Stock Exchange), which are on no less exacting terms than those set out in the CG Code to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities:

- Executive Committee
- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Committee has authority to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the Committees for performance of its duties and responsibilities. Full minutes of the Committees meetings are kept by the Company Secretary and all decisions of the Committees are reported to the Board. To further reinforce independence and effectiveness, all Audit Committee members are Independent Non-executive Directors, and the Nomination and Remuneration Committees have been structured with a majority of Independent Non-executive Directors as members. Details and reports of the Committees are set out below.

# Corporate Governance Report

## Attendance records

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three-month intervals and additional meetings would be arranged if and when necessary. During the year ended 31 March 2013, apart from the 18 meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues. Details of Directors' attendance of the Board meetings, Committees meetings and the general meetings held during the year ended 31 March 2013 are set out as follows:

| | Attendance/Number of meetings | | | | | |
|---|---|---|---|---|---|---|
| | **Board** | **Executive Committee** | **Audit Committee** | **Nomination Committee** | **Remuneration Committee** | **General meeting**[7] |
| **Total number of meetings** | 18 | 7 | 2 | 2 | 4 | 3 |
| **Executive Directors:** | | | | | | |
| Mr. Ma Lishan[1] | 5/5 | N/A | N/A | 2/2 | 2/2 | N/A |
| Mr. Mak Yiu Tong[2] | 1/1 | N/A | N/A | N/A | N/A | N/A |
| Mr. Xu Hai Ying[3] | 17/18 | 7/7 | N/A | N/A | N/A | 3/3 |
| Dr. Ou Zhiliang[4] | 16/16 | 7/7 | N/A | 1/1 | 3/3 | 3/3 |
| **Independent Non-executive Directors:** | | | | | | |
| Mr. Chan Ming Sun Jonathan | 14/18 | N/A | 2/2 | 2/2 | 4/4 | 2/3 |
| Mr. Zhu Yongguang[5] | 5/5 | N/A | 1/1 | 2/2 | 2/2 | N/A |
| Mr. Ma Lin | 12/18 | N/A | 2/2 | N/A | N/A | 2/3 |
| Mr. Lam Kwan Sing[6] | 7/13 | N/A | 1/1 | N/A | 1/1 | 3/3 |

Note:

(1) Mr. Ma Lishan resigned as an Executive Director and ceased to be a member of the Nomination Committee and the Remuneration Committee with effect from 9 August 2012.

(2) Mr. Mak Yiu Tong resigned as an Executive Director with effect from 31 May 2012.

(3) Mr. Xu Hai Ying was appointed as an Independent Non-executive Director on 1 January 2012 and was re-designated as an Executive Director with effect from 23 February 2012.

(4) Dr. Ou Zhiling was appointed as an Independent Non-executive Director and became a member of the Nomination Committee and the Remuneration Committee on 11 June 2012 and, upon his re-designation as an Executive Director, he ceased to be a member of the Audit Committee and was appointed as the Chairman of the Nomination Committee with effect from 9 August 2012.

(5) Mr. Zhu Yongguang resigned as an Independent Non-executive Director and ceased to be a member of the Audit Committee and Nomination Committee and the Remuneration Committee with effect from 9 August 2012.

(6) Mr. Lam Kwan Sing was appointed as an Independent Non-executive Director and became a member of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 9 August 2012.

(7) The Chairman of the Nomination Committee, member of the Audit Committee, Remuneration Committee and representatives of the Auditors attended the annual general meeting held on 25 September 2012 to answer questions of shareholders.

## EXECUTIVE COMMITTEE

An Executive Committee was set up in June 2010 and comprises all existing Executive Directors. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for business decisions. In accordance with its terms of reference, the Executive Committee monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

## AUDIT COMMITTEE

The Company established an Audit Committee in May 2006 with specific terms of reference (as amended and restated with effect from 21 June 2013). The principal duties of the Audit Committee are to review and to supervise the Group's statutory audit, interim and annual accounts of the Group and internal control system. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the group audit. Meetings shall be held at least twice a year.

# Corporate Governance Report

The Audit Committee members held two meetings in the year ended 31 March 2013. A summary of the work performed by the Audit Committee during the year ended 31 March 2013 included:–

(a) reviewing the audited accounts and final results announcement for the year ended 31 March 2013 and the interim report and the interim results announcement for the six months ended 30 September 2012;

(b) reviewing the accounting principles and practices adopted by the Group and ensured the compliance with relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewing the effectiveness of internal control; and

(d) meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's final results or the year ended 31 March 2013 and the unaudited interim results for the six months ended 30 September 2012.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During the financial year, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

The terms of references of the Audit Committee requires that proper whistle-blowing arrangements should be put in place by which employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, in confidence and without fear of recrimination for fair and independent investigation of such matters and for appropriate follow-up action. To this end and upon recommendation of the Audit Committee, the Board adopted an internal guidelines on whistle-blowing of concerns on 21 June 2013.

In addition, the Company has also adopted a policy that subject to prior approval by Audit Committee, no employees or former employees of external auditor can be appointed as director or senior executive of internal audit or finance function in the Group, within 12 months preceding their employment by the external auditor to enhance independent reporting by external auditor.

## NOMINATION COMMITTEE

The Company set up a Nomination Committee in August 2009 with specific terms of reference (as amended and restated with effect from 21 June 2013) for the purpose of setting out formal, considered and transparent procedure for the appointment of Directors to the Board. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition, assessment of the independence of Independent Non-executive Directors, the management of board succession and monitoring the training and continuous professional development of Directors and senior management.

The Nomination Committee members held two meetings in the year ended 31 March 2013. A summary of the work performed by the Nomination Committee during the year ended 31 March 2013 included:–

(a) reviewing and discussing the Board's composition in terms of the competence, experience, academic background and qualification of its members;

(b) reviewing retirement of Directors by rotation, the re-appointment of retiring Directors at annual general meeting;

(c) nominating new Directors to fill board vacancies in 2012; and

(d) assessing the independence of Independent Non-executive Directors.

## REMUNERATION COMMITTEE

The Company set up a Remuneration Committee in May 2006 with specific terms of reference (as amended with effect from 21 June 2013) with principal responsibility to review and give recommendation to the Board regarding the remuneration package of the Directors and the senior management of the Company taking into consideration of the market practice, competitive market position and individual performance.

The Remuneration Committee members held four meetings in the year ended 31 March 2013. During the year, the Committee has discussed, reviewed the performance and determined the remuneration packages for the Directors and management team, discussion on the proposal of employee incentive scheme.

During the process of consideration, no individual Director will be involved in decisions relating to his own remuneration.

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTION

Pursuant to the terms of reference of the corporate governance function, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Company; training and continuous professional development of Directors and senior management; and compliance with legal and regulatory requirements of the Company. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules. Members of the management has provided the Board with monthly updates and sufficient information for the Board to develop and maintain a balanced and understandable assessment of the Company's performance, position and prospects.

The Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

Currently, the Company's external auditor is Deloitte Touche Tohmatsu and for the year ended 31 March 2013, the Group paid Deloitte Touche Tohmatsu, the external auditor of the Group, HK$2,000,000 and HK$1,199,900 as audit fees and non-audit related fees respectively. Members of the Audit Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of Deloitte Touche Tohmatsu as the Company's external auditor.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements for the year ended 31 March 2013 is set out in the Independent Auditor's Report on pages 38 to 39 of this annual report.

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Group's assets. Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; for the reliability of financial information used within the business or for publication; and for ensuring the compliance with the relevant legislations and regulations.

# Corporate Governance Report

The Board, through the Audit Committee of the Company, has conducted a review on the effectiveness of the Group's internal control for the year including financial, operational and compliance controls and risk management processes. The Board, through the review by the Audit Committee, is satisfied that the Group has fully complied with the code provisions on internal controls during the year as set forth in the CG Code.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry to all Directors and all Directors confirmed that they have fully complied with the required standard set out in the Model Code.

## COMPANY SECRETARY

Mr. Fok Chi Tak, our Company Secretary appointed by the Board and the Chief Financial Officer of the Company, in the opinion of the Board, possesses the necessary qualification and experience, capable of performance of the functions of the company secretary and the Company will provide fund for Mr. Fok to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules. During 2012, Mr. Fok has satisfied the 15 hours of professional training requirement of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Board is committed to maintaining high degree of transparency to ensure that the investors and the shareholders receive accurate, comprehensive and timely information of the Group by publication of announcements, circulars, interim and annual reports. All shareholders' communications are also available on the Company's website at http://www.haotianhk.com.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend and the external auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at general meetings would be taken by poll.

## SHAREHOLDERS' RIGHT

### Shareholders' right to convene special general meeting

Pursuant to article 58 of the articles of association, extraordinary general meetings of the Company (the "EGM") shall be convened on the requisition of any one or more shareholder(s) (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company.

The Requisitionist(s) shall have the right, by written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and the EGM shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Requisitionist(s) may do so in the same manner, and shall be entitled to reimbursement of all reasonable expenses incurred by the Requisitionist(s).

### Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "Policy"), which is available on the website of the Company. Under the Policy, information of the Group shall be communicated to the shareholders mainly through general meetings, including annual general meetings, financial reports, and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to Mr. Fok Chi Tak, Company Secretary:

**By post**
Rooms 4917-4932, 49/F.
Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong
**By email**
eric.fok@haotianhk.com

Shareholders may also directly raise questions during the shareholders' meetings.

### Putting forward proposals at Shareholders' meeting

The number of shareholders necessary for putting forward a proposal at a shareholders' meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. The request to put forward a proposal must be made within 30 days from the date of the relevant shareholders' meeting.

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (http://www.haotianhk.com) has provided an effective communication platform to the public and the shareholders.

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

At a special general meeting held on 25 September 2012, special resolutions relating to (i) proposed amendments to the articles of association; and (ii) adoption of a new set of articles of association consolidating the proposed amendments and previous amendments made pursuant to the resolutions adopted by shareholders at general meetings were duly passed by shareholders by way of poll.

The major proposed amendments to the existing articles of association are summarized as follows:–

(a) all resolutions at general meetings of the Company shall be decided by poll other than a resolution which may be permitted under the Listing Rules to be voted by a show of hands;

(b) physical board meeting shall be held rather than by way of passing written resolution to deal with matter in which a substantial shareholder or a Director has a conflict of interest; and

(c) in considering whether the Director has a material interest which would prevent him/her from forming part of the quorum or voting at board meeting, 5% interest of a Director and his/her associate(s) in the share capital of the Company will no longer be disregarded.

The consolidated up-to-date version of the memorandum of association and articles of association of the Company are available on the website of the Company and the website of the Stock Exchange.

# Independent Auditor's Report

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

## TO THE MEMBERS OF HAO TIAN RESOURCES GROUP LIMITED
## 昊天能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hao Tian Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 151, which comprise the consolidated statement of financial position as at 31 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 our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

# Independent Auditor's Report

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

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

## OPINION

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
21 June 2013

# Consolidated Statement of Comprehensive Income

*For the year ended 31 March 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 7 | **112,513** | 140,218 |
| Cost of sales | | **(90,405)** | (104,907) |
| Gross profit | | **22,108** | 35,311 |
| Other income | 9 | **4,353** | 2,634 |
| Other gain and loss | 10 | **(71,890)** | (248,474) |
| Share of results of associates | | **18** | – |
| Distribution and selling costs | | **(2,319)** | (3,419) |
| Administrative expenses | | **(79,673)** | (73,254) |
| Other expenses | | **(4,596)** | (8,817) |
| Finance costs | 11 | **(1,293)** | (49,002) |
| Loss before taxation | | **(133,292)** | (345,021) |
| Taxation | 12 | **(2,203)** | (4,012) |
| Loss for the year from continuing operations | 13 | **(135,495)** | (349,033) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 32 | **(83,831)** | (29,425) |
| Loss for the year | | **(219,326)** | (378,458) |
| Other comprehensive income | | | |
| Exchange difference arising on translation of foreign operations | | **15,458** | 96,256 |
| Reclassification adjustments relating to foreign operation disposed of during the year | | **(120,505)** | – |
| Available-for-sale investments: | | | |
| – fair value changes | | **(4,011)** | (289) |
| – impairment loss recognised | | **15,555** | 715 |
| – reclassified to profit or loss upon disposal | | **3,327** | – |
| Other comprehensive (expense) income for the year, net of tax | | **(90,176)** | 96,682 |
| Total comprehensive expense for the year | | **(309,502)** | (281,776) |

# Consolidated Statement of Comprehensive Income

*For the year ended 31 March 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| Loss for the year attributable to owners of the Company: | | | |
| – from continuing operations | | **(135,493)** | (349,033) |
| – from discontinued operations | | **(83,831)** | (29,425) |
| Loss for the year attributable to owners of the Company | | **(219,324)** | (378,458) |
| Loss for the year from continuing operations attributable to non-controlling interests | | **(2)** | – |
| | | **(219,326)** | (378,458) |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | **(309,500)** | (281,776) |
| Non-controlling interests | | **(2)** | – |
| | | **(309,502)** | (281,776) |
| Loss per share | 17 | | |
| From continuing and discontinued operations | | | |
| – Basic and diluted (HK cents) | | **(5.58)** | (12.98) |
| From continuing operations | | | |
| – Basic and diluted (HK cents) | | **(3.45)** | (11.97) |

# Consolidated Statement of Financial Position

*At 31 March 2013*

| | NOTES | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 18 | **86,352** | 48,808 |
| Prepaid lease payments | 19 | **–** | 1,886 |
| Investment property | 20 | **961** | 993 |
| Mining rights | 21 | **–** | 1,551,983 |
| Interests in associates | 22 | **19** | – |
| Amounts due from associates | 22 | **3,669** | – |
| Available-for-sale investments | 23 | **173,479** | 11,212 |
| Financial assets designated at fair value through profit or loss | 24 | **21,556** | – |
| Loan receivables | 29 | **30,572** | – |
| Deposits | 25 | **150,991** | 95,757 |
| Deferred tax assets | 26 | **205** | 205 |
| | | **467,804** | 1,710,844 |
| Current assets | | | |
| Inventories | 27 | **19,277** | 26,126 |
| Trade receivables | 28 | **13,178** | 23,034 |
| Bills receivable | 28 | **217** | – |
| Other receivables, deposits and prepayments | 28 | **7,424** | 12,752 |
| Loan receivables | 29 | **110,000** | – |
| Consideration receivable | 40 | **149,875** | – |
| Investments held for trading | 30 | **142** | 118 |
| Prepaid lease payments | 19 | **–** | 104 |
| Tax recoverable | | **6,075** | 4,903 |
| Bank balances and cash | 28 | **283,231** | 44,040 |
| | | **589,419** | 111,077 |
| Assets classified as held for sale | 31 | **1,631,993** | 2,492,670 |
| | | **2,221,412** | 2,603,747 |
| Current liabilities | | | |
| Trade payables | 33 | **7,832** | 11,157 |
| Other payables, deposits received and accruals | 33 | **21,112** | 29,002 |
| Secured notes | 34 | **122,582** | – |
| Convertible notes | 35 | **–** | 638,056 |
| Embedded derivatives | 35 | **–** | 43 |
| Tax payables | | **23,804** | 4,285 |
| | | **175,330** | 682,543 |
| Liabilities associated with assets classified as held for sale | 31 | **65,462** | 888,812 |
| | | **240,792** | 1,571,355 |
| Net current assets | | **1,980,620** | 1,032,392 |
| Total assets less current liabilities | | **2,448,424** | 2,743,236 |

# Consolidated Statement of Financial Position

*At 31 March 2013*

| | NOTES | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Retirement benefits obligations | 36 | **1,121** | 1,386 |
| Provision for restoration and environment costs | 37 | **–** | 7,289 |
| | | **1,121** | 8,675 |
| Net assets | | **2,447,303** | 2,734,561 |
| Capital and reserves | | | |
| Share capital | 38 | **196,527** | 196,377 |
| Reserves | 39 | **2,180,597** | 2,425,618 |
| Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale | | **65,181** | 112,566 |
| Equity attributable to owners of the Company | | **2,442,305** | 2,734,561 |
| Non-controlling interests | | **4,998** | – |
| Total equity | | **2,447,303** | 2,734,561 |

The consolidated financial statements on pages 40 to 151 were approved and authorised for issue by the Board of Directors on 21 June 2013 and are signed on its behalf by:

**Dr. Zhiliang Ou**
*DIRECTOR*

**Xu Hai Ying**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2013*

| | Share capital HK$'000 | Convertible shares HK$'000 | Share premium HK$'000 | Warrant reserve HK$'000 | Statutory surplus reserve HK$'000 (Note a) | Safety and maintenance reserve HK$'000 (Note c) | Convertible note equity reserve HK$'000 | Share option reserve HK$'000 | Asset revaluation reserve HK$'000 | Special reserve HK$'000 (Note b) | Translation reserve HK$'000 | Accumulated losses HK$'000 | Total equity attributable to owners of the Company HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2011 | 120,573 | – | 2,008,087 | – | 3,539 | – | – | 16,585 | 1,400 | (5,754) | 85,700 | (430,295) | 1,799,835 | – | 1,799,835 |
| Loss for the year | – | – | – | – | – | – | – | – | – | – | – | (378,458) | (378,458) | – | (378,458) |
| Other comprehensive income | – | – | – | – | – | – | – | – | 426 | – | 96,256 | – | 96,682 | – | 96,682 |
| Total comprehensive expense for the year | – | – | – | – | – | – | – | – | 426 | – | 96,256 | (378,458) | (281,776) | – | (281,776) |
| Issue of convertible shares for acquisition assets through acquisition subsidiaries | – | 706,169 | – | – | – | – | – | – | – | – | – | – | 706,169 | – | 706,169 |
| Issue of new shares upon conversion of convertible shares | 47,078 | (706,169) | 659,091 | – | – | – | – | – | – | – | – | – | – | – | – |
| Issue of convertible note for acquisition of assets through purchase of subsidiaries | – | – | – | – | – | – | 304,884 | – | – | – | – | – | 304,884 | – | 304,884 |
| Issue of warrants | – | – | – | 6,547 | – | – | – | – | – | – | – | – | 6,547 | – | 6,547 |
| Issue of new shares upon placing | 28,726 | – | 157,991 | – | – | – | – | – | – | – | – | – | 186,717 | – | 186,717 |
| Transaction costs attributable to issue of new shares upon placing | – | – | (5,866) | – | – | – | – | – | – | – | – | – | (5,866) | – | (5,866) |
| Transaction cost attributable to issuance of warrants | – | – | – | (216) | – | – | – | – | – | – | – | – | (216) | – | (216) |
| Transfer upon forfeiture of share options | – | – | – | – | – | – | – | (133) | – | – | – | 133 | – | – | – |
| Transfer upon redemption | – | – | – | – | – | – | (168,084) | – | – | – | – | 168,084 | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | – | 18,267 | – | – | – | – | 18,267 | – | 18,267 |
| At 31 March 2012 | 196,377 | – | 2,819,303 | 6,331 | 3,539 | – | 136,800 | 34,719 | 1,826 | (5,754) | 181,956 | (640,536) | 2,734,561 | – | 2,734,561 |
| Loss for the year | – | – | – | – | – | – | – | – | – | – | – | (219,324) | (219,324) | (2) | (219,326) |
| Other comprehensive income (expense) | – | – | – | – | – | – | – | – | 14,871 | – | (105,047) | – | (90,176) | – | (90,176) |
| Total comprehensive income (expense) for the year | – | – | – | – | – | – | – | – | 14,871 | – | (105,047) | (219,324) | (309,500) | (2) | (319,502) |
| Warrants matured | – | – | – | (6,331) | – | – | – | – | – | – | – | 6,331 | – | – | – |
| Issue of warrants | – | – | – | 7,855 | – | – | – | – | – | – | – | – | 7,855 | – | 7,855 |
| Transaction cost attributable to issuance of warrants | – | – | – | (256) | – | – | – | – | – | – | – | – | (256) | – | (256) |
| Issue of new shares upon exercise of warrants | 150 | – | 337 | (29) | – | – | – | – | – | – | – | – | 458 | – | 458 |
| Incorporation of a non-wholly owned subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | – | 5,000 | 5,000 |
| Transfer upon forfeiture of share options | – | – | – | – | – | – | – | (6) | – | – | – | 6 | – | – | – |
| Appropriation of safety and maintenance reserve | – | – | – | – | – | 1,749 | – | – | – | – | – | (1,749) | – | – | – |
| Transfer upon repayment of convertible notes | – | – | – | – | – | – | (136,800) | – | – | – | – | 136,800 | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | – | 9,187 | – | – | – | – | 9,187 | – | 9,187 |
| **At 31 March 2013** | **196,527** | **-** | **2,819,640** | **7,570** | **3,539** | **1,749** | **-** | **43,900** | **16,697** | **(5,754)** | **76,909** | **(718,472)** | **2,442,305** | **4,998** | **2,447,303** |

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2013*

Notes:

(a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the Group's subsidiaries established in the PRC shall set aside 10% of its net profit after taxation to the statutory surplus reserve. The reserve fund can only be used, upon approval by the board of directors of these PRC established subsidiaries and by the relevant authority, to offset accumulated losses or increase capital. During the year ended 31 March 2013 and 2012, there was no transfer from retained profits to the statutory reserve since the Group's PRC subsidiaries incurred net loss.

(b) Special reserve of HK$5,754,000 represents the difference between the nominal amount of share capital issued by Winbox (BVI) Limited and the Company and the nominal amount of the share capital of the acquired subsidiaries and Winbox (BVI) Limited respectively arisen from a group reorganisation occurred in prior years.

(c) Pursuant to the relevant PRC regulations for coal mining business, provision for production maintenance, production safety and other related expenditures are accrued by a subsidiary engaged in mining operation at fixed rates based on coal production volume (the "maintenance and productions fund"). According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine industry, for the land restoration and environmental cost, and for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying expenditures, an equivalent amount is transferred from maintenance and productions fund to accumulated losses.

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2013*

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Loss for the year | **(219,326)** | (378,458) |
| Adjustments for: | | |
| Income tax | **2,203** | 3,735 |
| Interest income | **(3,039)** | (1,550) |
| Finance costs | **3,658** | 49,002 |
| Amortisation of mining rights | **992** | 556 |
| Depreciation of property, plant and equipment and investment property | **6,083** | 8,098 |
| Release of prepaid lease payments | **706** | 734 |
| Impairment loss on available-for-sale investments | **15,555** | 715 |
| Allowance for of inventories | **11,574** | – |
| Share of results of associates | **(18)** | – |
| Written off of deposits paid for property, plant and equipment | **86,693** | – |
| Share-based payments | **9,187** | 18,267 |
| Estimation adjustment on restoration and environmental costs | **(1,118)** | – |
| Unwinding of discounting effect on restoration and environmental costs | **584** | 1,020 |
| Loss (gain) on disposal of property, plant and equipment | **525** | (1,560) |
| Loss on disposal of available-for-sale investments | **3,327** | 999 |
| Loss on redemption of convertible note/re-measurement of debt components of convertible notes | **–** | 426,139 |
| Fair value gain on derivative financial instruments | **(43)** | (180,839) |
| Fair value loss on secured notes | **20,812** | – |
| Fair value loss on financial assets designated at fair value through profit or loss | **30,872** | – |
| Gain on disposal of subsidiaries | **(141,619)** | – |
| Withholding tax charged on disposal of subsidiaries | **124,121** | – |
| Operating cash flows before movements in working capital | **(48,271)** | (53,142) |
| Increase in inventories | **(18,562)** | (1,307) |
| Decrease (increase) in trade receivables | **7,889** | (2,826) |
| (Increase) decrease in bills receivable | **(217)** | 347 |
| Increase in other receivables, deposits and prepayments | **(3,363)** | (14,866) |
| (Increase) decrease in investments held for trading | **(24)** | 66 |
| Decrease in trade payables | **(1,298)** | (4,426) |
| Decrease in other payables, deposits received and accruals | **(2,535)** | (12,248) |
| Cash used in operations | **(66,381)** | (88,402) |
| Income tax paid | **(2,388)** | (4,611) |
| NET CASH USED IN OPERATING ACTIVITIES | **(68,769)** | (93,013) |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | **(91,915)** | (114,481) |
| Deposits paid for purchase of property, plant and equipment | | **–** | (13,941) |
| Deposit paid for purchase of a land use right | 25 | **(150,000)** | – |
| Deposit received for the Proposed Disposal (as defined in note 31b) | | **10,000** | – |
| Proceeds from disposal of property, plant and equipment | | **300** | 8,449 |
| Placement in pledged bank deposit | | **(890)** | (924) |
| Purchase of financial assets designated at fair value through profit or loss | | **(78,000)** | – |
| Proceeds from disposal of a financial asset designated at fair value through profit or loss | | **20,000** | – |
| Purchases of available-for-sale investments | | **(176,350)** | – |
| Incorporation of associates | | **(1)** | – |
| Advance to associates | | **(3,669)** | – |
| Addition of loan receivables | | **(135,000)** | – |
| Net cash from a disposal of subsidiaries | 40 | **1,374,370** | – |
| Proceeds from disposal of available-for-sale investments | | **10,072** | 561 |
| Interest received | | **1,044** | 1,550 |
| Net cash used in acquisition of assets through purchase of subsidiaries | 41 | **–** | 273 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | **779,961** | (118,513) |
| FINANCING ACTIVITIES | | | |
| Interest paid | | **(2,365)** | (1,253) |
| Repayment/redemption of convertible bonds | | **(639,349)** | (317,000) |
| Net proceeds from issue of warrants | | **7,599** | 6,331 |
| The Settlement Fund received (as defined in note 31a) | | **–** | 365,190 |
| Bank deposits in special purpose bank account included in assets classified as held for sale | | **–** | (27,554) |
| Cash withdrawal from bank deposits in a special purpose bank account | | **21,832** | – |
| Proceeds from issue of secured notes | | **113,358** | – |
| Interest paid for secured notes | | **(10,548)** | – |
| Raised of borrowing | | **33,053** | – |
| Capital injected from a non-controlling shareholder of a subsidiary | | **5,000** | – |
| Net proceeds from placement of new shares | | **–** | 180,851 |
| Net proceeds from issue of new shares upon exercise of warrants | | **487** | – |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | | **(470,933)** | 206,565 |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2013*

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **240,259** | (4,961) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **46,971** | 48,676 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **32** | 3,256 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | **287,262** | 46,971 |
| CASH AND EQUIVALENTS REPRESENTED BY | | |
| Bank balances and cash | **283,231** | 44,040 |
| Bank balances and cash included in a disposal group classified as held for sale | **4,031** | 2,931 |
| | **287,262** | 46,971 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 1. GENERAL

The Company was incorporated in the Cayman Islands on 30 September 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporation Information section of the annual report.

The principal activities of the Company are investment holding and provision of management service to its subsidiaries. The principal activities of its subsidiaries are set out in note 48.

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

## 2. 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 ("HKICPA").

| | |
|---|---|
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets |
| Amendments to HKFRS 7 | Financial instruments: Disclosures – Transfers of financial assets |

The application of the 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.

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

### New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised 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[2] |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income[4] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[2] |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine[1] |

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 January 2014.

3 Effective for annual periods beginning on or after 1 January 2015.

4 Effective for annual periods beginning on or after 1 July 2012.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

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

### 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 classification and measurement of financial liabilities and for derecognition.

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

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

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2016 and that the application of this new Standard may mainly affect the classification and measurement of the Groups' available-for-sale investments.

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

### New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK (SIC) – INT 12 "Consolidation – special purpose entities" will be withdrawn upon the effective date of HKFRS 10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for annual period beginning on 1 April 2013. The directors anticipate that the application of these five standards would not have significant impact on the amounts reported in the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

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

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 or up to the effective date of disposal, as appropriate.

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

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

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 attributed 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

***Changes in the Group's ownership interests in existing subsidiaries***

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs).

### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting policies are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Revenue recognition

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

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

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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of relevant lease.

### Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than freehold land and construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than freehold land, construction in progress and mining structures, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserves as the depletion base.

Freehold land is carried at cost less any recognised impairment loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. When an owner-occupied property becomes an investment property, the cost and accumulated depreciation of the owner-occupied property at the date of transfer are transferred to investment property. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their residual values, using the straight-line method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

### Leasing

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

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

***The Group as lessee***

Operating leases are recognised as expenses on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

***Leasehold land and building***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

***Leasehold land and building*** *(continued)*

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

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes 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. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is 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 borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group also operates a defined benefit retirement benefit plan. The cost of providing benefits is dependent on the length of services and the obligation arises when the services are rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time of which payment is expected to be made.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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 is 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.

### Mining rights

Mining rights acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such mining rights is their fair value at the acquisition date. Mining rights acquired separately are initially measured at cost.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment losses on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-current assets held for sale (continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into one of three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and it is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Effective interest method***

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

***Financial assets at fair value through profit or loss***

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Financial assets at fair value through profit or loss*** *(continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, amounts due from associates, trade receivables, bills receivable, other receivables, loan receivables, consideration receivable, 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).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of asset revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the asset revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

***Impairment of financial assets***

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Impairment of financial assets*** *(continued)*

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, 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 of 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Impairment of financial assets*** *(continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in asset revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

***Financial liabilities and equity instruments***

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

***Equity instruments***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial 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 than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

#### *Financial liabilities designated as at FVTPL*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Convertible notes contain debt and equity components***

Convertible loan notes issued by the Company that contain both the debt and conversion 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.

On initial recognition, the fair value of the debt component is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the entire convertible notes and the fair value assigned to the debt component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the debt component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in the convertible note 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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Convertible notes contain debt component and conversion option derivative***

Convertible notes issued by the Group that contain both debt and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the debt and conversion option components are recognised at fair value.

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

***Re-measurement of debt components of convertible notes***

If the Group revises its estimates of payments of the convertible notes, the carrying amount of the debt component of the convertible notes will be adjusted to reflect the actual and revised estimate of cash flows. The carrying amount of the debt component of the convertible notes is recalculated by computing the present value of estimated future cash flows discounted at the original effective interest rate. The difference between the carrying amount before such revision and the present value of the estimated future cash flows is recognised in profit or loss as loss on re-measurement of debt components of convertible notes.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Other financial liabilities***

Other financial liabilities including trade payables, other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

***Equity instruments***

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

***Warrants***

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants are recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrant reserve will be transferred to accumulated losses.

***Convertible shares***

Convertible shares issued by the Company that will be settled by a fixed number of the Company's own equity instruments are equity instruments. The fair value of the convertible shares is recognised in equity. The convertible shares will be transferred to share capital and share premium accounts upon the exercise of the conversion right of the convertible shares.

***Derivative financial instruments***

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Embedded derivatives***

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Where the Group redeems a convertible note through exercise of the early redemption option that is classified as a compound instrument with an equity component, a debt component with early redemption option which is closely related to the host debt instrument as at the date of the early redemption, the consideration paid to redeem the convertible note is allocated to the debt component and equity component using the same method as that used to make the allocation between the debt component and equity component on initial recognition of the component instrument. The fair value of the debt component upon the early redemption option is exercised is deemed to be equal to the redemption price. To the extent that the amount of the consideration allocated to the debt component exceeds the carrying amount of the debt component at the date of the early redemption, a loss is recognised in profit or loss. The equity component is reclassified to accumulated loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payment transactions

***Equity-settled share-based payment transactions***

*Share options granted to employees and others providing similar services*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the 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 option reserve.

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

*Equity-settled share-based payment of acquisition of assets through purchase of subsidiaries*

Convertible shares issued as part of consideration for acquisition of assets through purchase of subsidiaries are measured at fair values of the assets acquired, unless that fair value cannot be reliably measured, in which case, the assets are measured by reference to the fair value of convertible shares.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Fair value of financial instruments not quoted in an active market

As at 31 March 2013, the fair value of the Group's financial assets designated at fair value through profit or loss and secured notes (2012: embedded derivatives of convertible notes) were determined by valuation technique as these financial instruments do not have quote market price. The directors use their judgments in selecting an appropriate valuation technique. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of these instruments, assumptions are made based on currently available market data adjusted for specific features of these instruments (see notes 24, 34 and 35 for details). As at 31 March 2013, the fair value of financial assets designated at fair value through profit or loss and secured notes were HK$21,556,000 and HK$122,582,000 respectively (2012: embedded derivatives of HK$43,000).

## 5. CAPITAL RISK MANAGEMENT

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

As at 31 March 2013, the capital structure of the Group consists of debt, which include secured notes and equity attributable to owners of the Company (2012: convertible notes and equity attributable to owners of the Company). Equity attributable to owners of the Company comprises issued share capital, reserves and set off with accumulated losses.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues, as well as the issue of new debts or the redemption of existing debt.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Financial assets | | |
| Financial assets at FVTPL | | |
| – Held for trading | **142** | 118 |
| – Designated as FVTPL | **21,556** | – |
| Loans and receivables (including cash and cash equivalents) | **746,025** | 69,173 |
| Available-for-sale investments | **173,479** | 11,212 |
| | **941,202** | 80,503 |
| Financial liabilities | | |
| Financial liabilities at FVTPL | **122,582** | 43 |
| Amortised cost | **28,944** | 678,215 |
| | **151,526** | 678,258 |

## 6. FINANCIAL INSTRUMENTS (continued)

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

As at 31 March 2013, the Group's financial instruments include deposits, trade receivables, bills receivable, other receivables, amounts due from associates, loan receivables, consideration receivable, bank balances and cash, trade payables, other payables and accruals, available-for-sale investments, financial assets at fair value through profit or loss, investments held for trading and secured notes (2012: deposits, trade receivables, other receivables, bank balances and cash, trade payables, other payables and accruals, available-for-sale investments, investments held for trading, convertible notes and embedded derivatives). Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk from prior year.

***Market risk***

*Foreign currency risk management*

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities excluding intra-group balances as at 31 March 2013 are as follows:

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| HK$ | **52** | 9,541 | **297** | 351 |
| United States Dollars ("US$") | **18,892** | 20,110 | **124,777** | 380,471 |
| Euro | **3,004** | 1,279 | **573** | 1,027 |
| Renminbi ("RMB") | **188,246** | 6,496 | **100** | 82 |
| Others | **495** | 154 | **–** | – |

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk** (continued)*

*Foreign currency risk management (continued)*

In addition, as at 31 March 2013, the directors considered that the Group's exposure to foreign currency risk arisen from intra-group loans due to foreign operation of approximately HK$43,947,000 (2012: HK$32,816,000), which were not denominated in the functional currency of the respective group entities. These intra-group loans do not form part of the Group's net investment in foreign operations.

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuation of HK$, US$, Euro and RMB against the functional currency of respective group entities, which is mainly HK$, Euro and RMB. The directors considered that, as HK$ is pegged to US$, the subsidiaries with HK$ as functional currency, are subject to insignificant foreign currency risk from change in foreign exchange rate of HK$ against US$, so US$ is not considered in the sensitivity analysis.

5% is the sensitivity rate used by directors in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis below demonstrated the effect of the foreign exchange differences by 5% change in exchange rate of the functional currencies against the relevant foreign currencies of the Company and respective subsidiaries, other than US$ for those with HK$ functional currency, assuming all other variables were held constant. The sensitivity analysis include external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower. A positive number below indicates a decrease in post-tax loss where the functional currencies weaken 5% against the relevant foreign currencies of the Company and respective subsidiaries, other than US$ (for those with HK$ functional currency). For a 5% strengthening of the functional currencies of the Company and respective subsidiaries, there would be an equal and opposite impact on the results for the year.

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Decrease (increase) in loss for the year | **7,344** | (840) |

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk*** *(continued)*

*Interest rate risk management*

As at 31 March 2013, the Group is exposed to cash flow interest rate risk in relation to bank balances (2012: bank balances and pledged bank deposits) carrying prevailing market interest rate. The interest rate risk on bank balances (2012: bank balances and pledged bank deposits) is limited because of the short maturity. In the opinion of the directors, the expected change in interest rate on these financial assets will not have a significant change in the coming year, hence sensitivity analysis is not presented.

As at 31 March 2013, the Group is also exposed to fair value interest rate risk in relation to loan receivables and secured notes (2012: convertible notes).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Price risk equity and debt investments*

The Group is exposed to other price risk through its available-for-sale investments, investments held for trading and available-for-sale debt securities through its investments in debentures listed outside Hong Kong. For available-for-sale investments measured at cost less impairment as the fair value could not be measured reliably, they have not been included in the sensitivity analysis.

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk*** *(continued)*

*Price risk equity and debt investments (continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and debt price risks at the end of the reporting period. The sensitivity analysis included those available-for-sale investments and investments held for trading carried at fair values. If the prices of the respective available-for-sale investments in listed equity securities and investments held for trading had been 10% (2012: 10%) higher, assuming all other variables were held constant, the impact to the Group would be:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Decrease in loss for the year | **14** | 12 |
| Increase in other comprehensive income for the year | **13,412** | 612 |

If the prices of respective available-for-sale investments and held for trading investments had been 10% (2012: 10%) lower, assuming all other variables were held constant, the impact to the Group would be:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Increase in loss for the year | **2,533** | 12 |
| Decrease in other comprehensive income for the year | **10,893** | 612 |

10% (2012: 10%) change in price represents the directors' assessment of the reasonably possible change in price.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk*** *(continued)*

*Price risk equity and debt investments (continued)*

Sensitivity analysis (continued)

As at 31 March 2013 and 2012, the Group was exposed to concentration risk on the available-for-sale investments in listed equity securities as they comprise equity shares issued by several companies listed in Hong Kong.

*Price risk on financial assets designated at fair value through profit or loss*

As at 31 March 2013, the Group was exposed to price risk through its financial assets designated at fair value through profit or loss. As at 31 March 2013, the fair value of the embedded derivative of the secured note is insignificant, hence, no sensitivity analysis for secured notes has been included.

The sensitivity analysis below has been determined based on the exposure to price risk at the end of the reporting period. If the prices of the listed equity securities, which was used as key input in the valuation of financial assets designated at fair value through profit or loss (particulars are set out in note 24), had been 10% higher/lower, assuming all other variables were held constant, the impact to the Group would be:

| | **2013**<br>**HK$'000** |
|---|---|
| Increase in post-tax loss for the year | **(1,800)** |
| Decrease in post-tax loss for the year | **1,800** |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk*** *(continued)*

*Price risk on financial assets designated at fair value through profit or loss (continued)*

In opinion of the directors of the Company, the sensitivity analysis above are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the financial assets designated at fair value through profit or loss involves multiple variables and certain variables are interdependent.

*Price risk on embedded conversion option of CN1 (as defined in note 35)*

The Group was required to estimate the fair value of the conversion option embedded in the convertible notes classified as financial liabilities at FVTPL at the end of the reporting period with changes in fair value recognised in the profit or loss as long as the convertible notes were outstanding. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility. As at 31 March 2012, due to the re-measurement of the debt components of the convertible notes, the Group expected the convertible notes would be repaid within twelve months, in the opinion of the directors, the price risk as at 31 March 2012 was insignificant as the expected repayment period is short, hence, no sensitivity analysis is presented. During the year ended 31 March 2013, all the outstanding convertible notes were fully repaid.

In the opinion of the directors of the Company, the sensitivity analysis was unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion option embedded in the convertible notes involves multiple variables and certain variables are interdependent. Thus, no sensitivity analyses are provided.

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Credit risk***

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. As at 31 March 2013, the Group has concentration of credit risk in respect of the financial assets designated as fair value through profit or loss, loan receivables, consideration receivable and trade receivables (2012: trade receivables). As at 31 March 2013, the Group's investments in financial assets designated as fair value through profit or loss represent investments in loan receivables with embedded derivatives issued by the counterparties (see note 24); the Group's loan receivables were due from five counterparties (see note 29); and the Group's consideration receivable was due from one counterparty buyer (see note 31a). As at 31 March 2013, five customers for the Group's plastic and paper boxes comprised over 61% (2012: 75%) of the Group's trade receivables. These five customers are internationally recognised and luxury brand owners in Europe and the United States, with long business relationship with the Group. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a concentration of credit risk on liquid funds deposited with a few major banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As at 31 March 2013, the Group had an outstanding consideration receivable of HK$149,875,000 due from a counterparty buyer in respect to the disposal of subsidiaries. The Group is exposed to credit risk for this consideration receivable especially for an amount of HK$100,254,000 which had been due as at 31 March 2013. The management of the Group takes active negotiation and follow-up action to recover the consideration receivable in order to minimise the credit risk. Details are set out in note 40.

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Liquidity risk***

The Group manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowing and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities (including embedded derivatives of the convertible notes as at 31 March 2012). It has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Weighted average effective interest rate % | On demand or between 1 to 3 months HK$'000 | Between 4 to 12 months HK$'000 | Total undiscounted cash flows HK$'000 | Total carrying amount at 31 March HK$'000 |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Trade payables | **-** | **7,832** | **-** | **7,832** | **7,832** |
| Other payables and accruals | **-** | **21,112** | **-** | **21,112** | **21,112** |
| Secured notes | **22.98** | **-** | **126,383** | **126,383** | **122,582** |
| | | **28,944** | **126,383** | **155,327** | **151,526** |
| 2012 | | | | | |
| Trade payables | – | 11,157 | – | 11,157 | 11,157 |
| Other payables and accruals | – | 29,002 | – | 29,002 | 29,002 |
| CN1*# | 8.52 | – | 380,056 | 380,056 | 380,099 |
| CN2*# | 18.01 | 1,290 | 258,000 | 259,290 | 258,000 |
| | | 41,449 | 638,056 | 679,505 | 678,258 |

* CN1 and CN2 as defined in note 35.

\# On 1 February 2012, the Company reached agreement with the noteholders to settle the entire CN1 and CN2 within the next twelve months (details are set out in note 35).

## 6. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value

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

- the fair value of listed equity securities and listed debentures with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of club debentures is determined by reference to the transaction prices in the secondary markets. The price of the most recent transaction provides evidence of the current fair value if there has not been significant change in economic circumstances since the time of the transaction;

- the fair value of option-based derivative instruments (embedded derivative as included in financial assets designated at FVTPL, secured notes and convertible notes), is estimated using option pricing model; and

- the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

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

## 6. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

| | **31 March 2013** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Available-for-sale investments | **134,120** | **2,258** | **–** | **136,378** |
| Non-derivative financial assets held for trading | **142** | **–** | **–** | **142** |
| Financial assets designated at FVTPL | **–** | **–** | **21,556** | **21,556** |
| Secured notes | **–** | **–** | **(122,582)** | **(122,582)** |
| | **134,262** | **2,258** | **(101,026)** | **35,494** |

| | 31 March 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Available-for-sale investments | 3,407 | 2,710 | – | 6,117 |
| Non-derivative financial assets held for trading | 118 | – | – | 118 |
| Embedded conversion option of convertible notes | – | – | (43) | (43) |
| | 3,525 | 2,710 | (43) | 6,192 |

There were no transfer between Level 1 and 2 in both years.

## 6. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

***Reconciliation of level 3 fair value measurements of financial assets and financial liabilities***

| | Secured notes<br>HK$'000 | Financial assets designated at FVTPL<br>HK$'000 | Embedded conversion option of convertible notes<br>HK$'000 |
|---|---|---|---|
| At 1 April 2011 | – | – | (180,882) |
| Total gain or loss recognised in profit or loss | | | |
| – Change in fair value | – | – | 180,839 |
| At 31 March 2012 | – | – | (43) |
| Addition | (113,358) | 78,000 | – |
| Disposal | – | (20,000) | – |
| Coupon interest | 11,588 | – | – |
| Total gain or loss recognised in profit or loss | | | |
| – Change in fair value | (20,812) | (30,872) | 43 |
| Derecognition upon modification of terms and conditions (defined in note 24(iii)) | – | (11,144) | – |
| Recognition upon modification of terms and conditions (defined in note 24 (iii)) | – | 5,572 | – |
| At 31 March 2013 | (122,582) | 21,556 | – |

## 7. REVENUE

Revenue represents the amounts received or receivable for goods sold by the Group to outside customers, less sales tax and sales returns during the year. An analysis of the Group's revenue for the year from continuing operations is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sale of plastic and paper boxes for luxury consumer goods | **112,513** | 140,218 |

## 8. SEGMENT INFORMATION

The Group is currently organised into below operating divisions:

Sale of plastic and paper boxes for luxury consumer goods:

(i) France Operation – Dardel S.A.S.

(ii) China Operation – Winbox Company Limited, Dongguang Ever Green Plastic Manufacturing Company Limited, Winbox Plastic Manufacturing (Shenzhen) Company Limited and Winpac Trading Co. Limited

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

The Group's operations in respect of developing of underground coking coal mine, coal production and sale of coal ("Coal Mining Operation") were discontinued in the current year. The segment information reported below does not include any amounts for the Group's Coal Mining Operation, which is described in more details in notes 31 and 32.

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 8. SEGMENT INFORMATION (continued)

### Segment revenue and results

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

**For the year ended 31 March 2013**

| | Sale of plastic and paper boxes for luxury consumer goods | | |
|---|---|---|---|
| | China Operation HK$'000 | France Operation HK$'000 | Consolidated HK$'000 |
| Revenue | 86,262 | 26,251 | 112,513 |
| Segment results from continuing operations | (2,393) | 2,268 | (125) |
| Other income | | | 4,353 |
| Other gain and loss | | | (71,890) |
| Share of results of associates | | | 18 |
| Central administration costs | | | (59,759) |
| Other expenses | | | (4,596) |
| Finance costs | | | (1,293) |
| Loss before taxation from continuing operations | | | (133,292) |

## 8. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 31 March 2012 (Restated)

| | Sale of plastic and paper boxes for luxury consumer goods | | |
|---|---|---|---|
| | China Operation HK$'000 | France Operation HK$'000 | Consolidated HK$'000 |
| Revenue | 112,957 | 27,261 | 140,218 |
| Segment results from continuing operations | 3,263 | 4,580 | 7,843 |
| Other income | | | 2,634 |
| Other gain and loss | | | (248,474) |
| Central administration costs | | | (49,205) |
| Other expenses | | | (8,817) |
| Finance costs | | | (49,002) |
| Loss before taxation from continuing operations | | | (345,021) |

All of the segment revenue reported for both years were from external customers. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit earned or loss incurred by each segment without allocation of other income, other gain and loss, other expenses, central administration costs, share of results of associates and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## 8. SEGMENT INFORMATION (continued)

### Other segment information

| | Sale of plastic and paper boxes for luxury consumer goods | | | | |
|---|---|---|---|---|---|
| | **France Operation HK$'000** | **China Operation HK$'000** | **Segment total HK$'000** | **Unallocated HK$'000** | **Consolidated HK$'000** |
| For the year ended 31 March 2013 | | | | | |
| Amounts included in the measure of segment profit or loss: | | | | | |
| Allowance for slow moving inventories | **1,000** | **6,425** | **7,425** | **-** | **7,425** |
| Depreciation of property, plant and equipment and investment property | **114** | **900** | **1,014** | **1,927** | **2,941** |
| Loss on disposal of property, plant and equipment | **4** | **-** | **4** | **181** | **185** |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss: | | | | | |
| Share of profit of associates | **-** | **-** | **-** | **(18)** | **(18)** |
| Finance costs | **-** | **-** | **-** | **1,293** | **1,293** |
| Taxation charge | **907** | **1,296** | **2,203** | **-** | **2,203** |

| | Sale of plastic and paper boxes for luxury consumer goods | | | | |
|---|---|---|---|---|---|
| | France Operation HK$'000 | China Operation HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
| For the year ended 31 March 2012 (Restated) | | | | | |
| Amounts included in the measure of segment profit or loss: | | | | | |
| Depreciation of property, plant and equipment and investment property | 126 | 961 | 1,087 | 171 | 1,258 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss: | | | | | |
| Finance costs | – | – | – | 49,002 | 49,002 |
| Taxation charge | 1,934 | 2,078 | 4,012 | – | 4,012 |

## 8. SEGMENT INFORMATION (continued)

### Geographical information

The Group's customers are located in Hong Kong, Europe, North America and other regions.

The Group's revenue from external customers from continuing operations by geographical location of markets, or customer irrespective of the origin of the goods/services are detailed below:

| | Revenue from external customers | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Sale of plastic and paper boxes for luxury consumer goods | | |
| Hong Kong | **21,534** | 22,703 |
| France | **42,698** | 44,375 |
| Germany | **20,890** | 38,377 |
| Italy | **3,254** | 3,214 |
| Switzerland | **16,772** | 24,296 |
| Brazil | **2,469** | 846 |
| Other regions | **4,896** | 6,407 |
| | **112,513** | 140,218 |

The information about the Group's non-current assets by geographical area in which the assets are located is detailed below:

| | Non-current assets (Note) | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **82,236** | 6,834 |
| The PRC | **3,445** | 1,683,598 |
| France | **1,651** | 1,550 |
| | **87,332** | 1,691,982 |

Note: Non-current assets excluded financial instruments and deferred tax assets. As at 31 March 2012, the amount included non-current assets which were reclassified to assets classified as held for sale during the year ended 31 March 2013.

## 8. SEGMENT INFORMATION (continued)

### Information about major customers

Revenue from customers from continuing operations for the year ended 31 March 2013 and 2012 contributing over 10% of total sales of the Group, each deriving revenue from sales of plastic and paper boxes for luxury consumer goods segment, are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **20,839** | 34,509 |
| Customer B | **20,200** | 22,027 |
| Customer C | **15,911** | N/A* |
| Customer D | **11,707** | N/A* |

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

* The corresponding revenue did not contribute over 10% of the revenue of the Group from continuing operations for the year ended 31 March 2012.

## 9. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| Interest earned on bank deposits | **449** | 73 |
| Interest earned on listed available-for-sale investments | **429** | 430 |
| Interest earned on loan receivables | **1,995** | – |
| Sundry income | **1,480** | 2,131 |
| | **4,353** | 2,634 |

## 10. OTHER GAIN AND LOSS

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Fair value gain (loss) on derivative financial instruments | **43** | (245,300) |
| Fair value gain (loss) on investments held for trading | **24** | (66) |
| Fair value loss on secured notes | **(20,812)** | – |
| Fair value loss on financial assets at FVTPL | **(30,872)** | – |
| (Loss) gain on disposal of property, plant and equipment | **(185)** | 1,560 |
| Loss on disposal of available-for-sale investments | **(3,327)** | (999) |
| Net foreign exchange loss | **(1,206)** | (2,954) |
| Impairment loss on available-for-sale investments | **(15,555)** | (715) |
| | **(71,890)** | (248,474) |

## 11. FINANCE COSTS

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Imputed interest expense on convertible notes (note 35) | **1,293** | 49,002 |

## 12. TAXATION

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong | **16** | 3 |
| Other jurisdictions | **955** | 2,009 |
| | **971** | 2,012 |
| Underprovision in prior years: | | |
| Hong Kong | **1,232** | 2,000 |
| Taxation | **2,203** | 4,012 |

## 12. TAXATION (continued)

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") Implementation Regulations of the EIT Law, the tax rate is 25% from 1 January 2008 onwards. The implementation to the EIT Law has impact to the Company's wholly owned subsidiary, Winbox Plastic Manufacturing (Shenzhen) Company Limited, which previously enjoyed the preferential tax policy in the form of a reduced tax rate is entitled to use a tax rate of 24% for the period from 1 January 2011 to 31 December 2011 and 25% for the period from 1 January 2012 to 31 March 2012. For the year ended 31 March 2013, the subsidiary is subjected to a tax rate of 25% on EIT.

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

In 2009, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on certain group companies and has issued estimated additional assessments for certain years of assessments. Objections against these assessments were lodged and the Group applied holdover for the full amount of tax demanded. As at 31 March 2013, total amount of tax reserve certificate purchased was HK$4.5 million (2012: HK$3.3 million) which is included in the consolidated statement of financial position as tax recoverable of which HK$1.2 million (2012: HK$2 million) was purchased during the year ended 31 March 2013. During the year ended 31 March 2013, after reassessing the tax provision of these group companies, an amount of HK$1.2 million (2012: HK$2 million) was additionally provided and charged to profit or loss as under-provision of taxation in respect of prior years. During the year ended 31 March 2013, the IRD proposed a preliminary settlement basis to the Group. The Group is in the process of discussing with the IRD on the basis to be applied in settling the tax audit, and in the opinion of the directors, the tax provision made by the Group is adequate at this stage.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 12. TAXATION (continued)

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Loss before taxation | **(133,292)** | (345,021) |
| Tax at Hong Kong Profits Tax rate of 16.5% | **(21,993)** | (56,928) |
| Tax effect of expenses not deductible for tax purposes | **18,723** | 82,698 |
| Tax effect of income not taxable for tax purposes | **(2,033)** | (30,239) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **313** | 816 |
| Underprovision in respect of prior years | **1,232** | 2,000 |
| Tax effect of estimated tax losses not recognised | **5,961** | 5,665 |
| Taxation for the year | **2,203** | 4,012 |

## 13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Loss for the year from continuing operations have been arrived at after charging: | | |
| Auditor's remuneration | **1,884** | 1,658 |
| Cost of inventories recognised as an expense | **90,405** | 104,907 |
| Allowance for inventories (included in cost of inventories recognised as an expense) | **7,425** | – |
| Depreciation of property, plant and equipment and investment property | **2,941** | 1,258 |
| Operating lease rentals in respect of rented premises | **11,764** | 5,309 |
| Staff costs: | | |
| Directors' emoluments | **4,606** | 11,213 |
| Chief executive's emoluments | **3,755** | 4,694 |
| Other staff costs | | |
| – salaries, bonus and other allowances | **46,472** | 56,278 |
| – retirement benefit scheme contributions | **3,708** | 3,276 |
| – share-based payments | **6,471** | 8,063 |
| | **65,012** | 83,524 |

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive were as follows:

| | 2013 | | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fee HK$'000 | Salaries and other allowances HK$'000 | Discretionary or performance based contributions HK$'000 (Note j) | Retirement benefit scheme bonuses HK$'000 | Share-based payments HK$'000 | Total HK$'000 | Fee HK$'000 | Salaries and other allowances HK$'000 | Retirement benefit scheme contributions HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
| **Directors** | | | | | | | | | | | |
| Ma Lishan (Note a) | - | 1,067 | - | 6 | 894 | 1,967 | – | 2,213 | 12 | 3,690 | 5,915 |
| Fung Ka Pun (Note b) | - | - | - | - | - | - | – | 963 | – | 1,857 | 2,820 |
| Ng Cheuk Fan, Keith (Note b) | - | - | - | - | - | - | – | 199 | 6 | 573 | 778 |
| Fung Wing Ki, Vicky (Note b) | - | - | - | - | - | - | – | 160 | 6 | 209 | 375 |
| Tam Hok Lam, Tommy (Note c) | - | - | - | - | - | - | 180 | – | – | – | 180 |
| Zhu Yongguang | 65 | - | - | - | - | 65 | 180 | – | – | – | 180 |
| Chan William (Note d) | - | - | - | - | - | - | 135 | – | – | – | 135 |
| Ma Lin (Note e) | 180 | - | - | - | - | 180 | 45 | – | – | – | 45 |
| Xu Hai Ying (Note e) | - | 515 | - | - | - | 515 | – | 67 | – | – | 67 |
| Chan Ming Sun, Jonathan (Note f) | 181 | - | - | - | - | 181 | – | – | – | – | – |
| Mak Yiu Tong (Note g) | - | 100 | - | 2 | 42 | 144 | – | 338 | 11 | 369 | 718 |
| Ou Zhiliang (Note h) | 29 | 1,408 | - | - | - | 1,437 | – | – | – | – | – |
| Lam Kwan Sing (Note i) | 117 | - | - | - | - | 117 | – | – | – | – | – |
| | 572 | 3,090 | - | 8 | 936 | 4,606 | 540 | 3,940 | 35 | 6,698 | 11,213 |
| **Chief executive** | | | | | | | | | | | |
| Li Shao Yu (Note j) | - | 1,810 | 44,150 | 15 | 1,780 | 47,755 | – | 1,176 | 12 | 3,506 | 4,694 |
| | 572 | 4,900 | 44,150 | 23 | 2,716 | 52,361 | 540 | 5,116 | 47 | 10,204 | 15,907 |

Notes:

(a) On 9 August 2012, Mr. Ma Lishan ("Mr. Ma") resigned as a director of the Company. Subsequently, Mr. Ma served the Group as a consultant. His remuneration as a consultant was excluded from above.

(b) On 21 September 2011, Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Fung Wing Ki, Vicky resigned as directors of the Company.

(c) On 29 March 2012, Mr. Tam Hok Lam, Tommy resigned as a director of the Company.

(d) On 1 January 2012, Mr. Chan William resigned as a director of the Company.

(e) On 1 January 2012, Mr. Ma Lin and Mr. Xu Hai Ying were appointed as directors of the Company.

(f) On 29 March 2012, Mr. Chan Ming Sun, Jonathan was appointed as a director of the Company.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Notes: (continued)

(g) On 31 May 2012, Mr. Mak Yiu Tong resigned as a director of the Company.

(h) On 11 June 2012, Dr. Zhiliang Ou, *JP* was appointed as independent non-executive director of the Company. On 9 August 2012, he was redesignated as an executive director of the Company.

(i) On 9 August 2012, Mr. Lam Kwan Sing was appointed as a director of the Company.

(j) Ms. Li is the chief executive of the Company and her remuneration disclosed above represents those for services rendered by her as chief executive. Ms. Li is also a substantial shareholder who can exercise significant influence to the Group. During the year ended 31 March 2013, the Group paid a special bonus of HK$44,000,000 to Ms. Li, in respect to the completion of the disposal of subsidiaries, which was included in discontinued operations for determining the gain on disposal of subsidiaries. Details are set out in note 40(ii).

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive has waived any emoluments during the year.

## 15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: two) was director and the chief executive of the Company whose emoluments were included in the disclosures in note 14 above. The emoluments of the remaining four individuals (2012: three individuals) were as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Salaries and other allowances | **4,285** | 3,457 |
| Discretionary or performance based bonus | **4,645** | – |
| Retirement benefit scheme contributions | **38** | 36 |
| Share-based payments | **3,115** | 5,046 |
| | **12,083** | 8,539 |

## 15. EMPLOYEE'S EMOLUMENTS (continued)

The emoluments were within the following bands:

| | **2013 No. of employees** | 2012 No. of employees |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **–** | 1 |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **2** | – |
| HK$4,000,001 to HK$4,500,000 | **1** | – |
| HK$4,500,001 to HK$5,000,000 | **–** | 1 |

During the year, no emoluments or discretionary bonus were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 16. DIVIDEND

No dividend was paid or proposed by the directors for both years nor has any dividend been proposed since the end of the reporting period.

## 17. LOSS PER SHARE

### From continuing and discontinued operations

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

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Loss for the purposes of basic and diluted loss per share | **(219,324)** | (378,458) |

| | **2013 '000** | 2012 '000 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **3,927,700** | 2,915,454 |

## 17. LOSS PER SHARE (continued)

### From continuing operations

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

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss for the year attributable to owners of the Company | **(219,324)** | (378,458) |
| *Add:* Loss for the year from discontinued operations | **83,831** | 29,425 |
| Loss for the purposes of calculating basic and diluted loss per share from continuing operations | **(135,493)** | (349,033) |

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

### From discontinued operation

Basic and diluted loss per share from discontinued operations is HK2.13 cents (2012: HK1.01 cents), based on the loss for the year from discontinued operations of HK$83,831,000 (2012: HK$29,425,000) and the denominators detailed above for both basic and diluted loss per share from continuing and discontinued operations.

For the year ended 31 March 2013, the computation of diluted loss per share for both continuing and discontinued operations does not assume the exercise of the Company's outstanding share options and warrants, since the assumed exercise would reduce loss per share from continuing operations.

For the year ended 31 March 2012, the computation of diluted loss per share for both continuing and discontinued operations did not assume the exercise of the conversion rights of the Company's outstanding convertible notes and the Company's outstanding share options and warrants, since the assumed exercise would reduce loss per share from continuing operations.

## 18. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land HK$'000 | Buildings on freehold land HK$'000 | Leasehold land and buildings HK$'000 | Mining structures HK$'000 | Construction in progress HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures, and equipment HK$'000 | Moulds HK$'000 | Motor vehicles HK$'000 | Yacht HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | | | | | |
| At 1 April 2011 | 536 | 7,440 | 15,150 | 59,856 | 164,015 | 6,611 | 20,727 | 6,324 | 8,258 | 6,722 | – | 295,639 |
| Exchange adjustments | (29) | (374) | (144) | 126 | 7,004 | 84 | 347 | (45) | 127 | 304 | – | 7,400 |
| Additions | – | – | 202 | – | 33,593 | 332 | 5,826 | 1,961 | – | 11,283 | – | 53,197 |
| Acquisition of subsidiaries (note 41) | – | – | 2,085 | 4,780 | 2,535 | – | 7,020 | 248 | – | 2,583 | – | 19,251 |
| Transfer to assets classified as held for sale (note 31a) | – | – | (8,385) | (58,669) | (194,344) | – | (17,313) | (2,420) | – | (4,668) | – | (285,799) |
| Transfer | – | – | 4,209 | 870 | (5,079) | – | – | – | – | – | – | – |
| Disposal | – | (5,689) | – | – | – | (2,442) | – | (159) | – | (1,938) | – | (10,228) |
| At 31 March 2012 | 507 | 1,377 | 13,117 | 6,963 | 7,724 | 4,585 | 16,607 | 5,909 | 8,385 | 14,286 | – | 79,460 |
| Exchange adjustments | (20) | (53) | 54 | 39 | 35 | 16 | 115 | (20) | 58 | 29 | – | 253 |
| Additions | – | – | 1,112 | – | 6,152 | 805 | 2,973 | 704 | 79 | 50 | 65,000 | 76,875 |
| Transfer to assets classified as held for sale (note 31b) | – | – | (9,012) | (14,877) | (477) | – | (10,900) | (832) | – | (2,044) | – | (38,142) |
| Transfer | – | – | 5,559 | 7,875 | (13,434) | – | – | – | – | – | – | – |
| Disposal | – | – | – | – | – | – | – | (180) | – | (1,288) | – | (1,468) |
| **At 31 March 2013** | **487** | **1,324** | **10,830** | **-** | **-** | **5,406** | **8,795** | **5,581** | **8,522** | **11,033** | **65,000** | **116,978** |
| DEPRECIATION AND IMPAIRMENT | | | | | | | | | | | | |
| At 1 April 2011 | – | 1,223 | 3,565 | – | – | 5,215 | 8,963 | 3,840 | 8,138 | 925 | – | 31,869 |
| Exchange adjustments | – | (69) | 1,069 | 145 | – | 51 | 320 | 27 | 126 | 66 | – | 1,735 |
| Provided for the year | – | 51 | 823 | 1,069 | – | 547 | 2,823 | 1,046 | 69 | 1,638 | – | 8,066 |
| Transfer to assets classified as held for sales (note 31a) | – | – | (1,668) | – | – | – | (3,899) | (909) | – | (1,203) | – | (7,679) |
| Disposal | – | (585) | – | – | – | (2,411) | – | (123) | – | (220) | – | (3,339) |
| At 31 March 2012 | – | 620 | 3,789 | 1,214 | – | 3,402 | 8,207 | 3,881 | 8,333 | 1,206 | – | 30,652 |
| Exchange adjustments | – | (24) | 3 | 2 | – | 6 | 58 | (36) | 57 | 4 | – | 70 |
| Provided for the year | – | 3 | 611 | 283 | – | 367 | 1,361 | 679 | 68 | 1,989 | – | 5,361 |
| Transfer to assets classified as held for sales (note 31b) | – | – | (461) | (1,499) | – | – | (2,083) | (423) | – | (348) | – | (4,814) |
| Disposal | – | – | – | – | – | – | – | (101) | – | (542) | – | (643) |
| **At 31 March 2013** | **-** | **599** | **3,942** | **-** | **-** | **3,775** | **7,543** | **4,000** | **8,458** | **2,309** | **-** | **30,626** |
| CARRYING VALUES | | | | | | | | | | | | |
| **At 31 March 2013** | **487** | **725** | **6,888** | **-** | **-** | **1,631** | **1,252** | **1,581** | **64** | **8,724** | **65,000** | **86,352** |
| At 31 March 2012 | 507 | 757 | 9,328 | 5,749 | 7,724 | 1,183 | 8,400 | 2,028 | 52 | 13,080 | – | 48,808 |

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land, mining structures and construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Freehold land | Nil |
| Buildings on freehold land | 2% |
| Leasehold land and buildings | shorter of remaining term of lease or 2% to 10% |
| Construction in progress | Nil |
| Leasehold improvements | 20% |
| Plant and machinery | $6^{2}/_{3}$% to $33^{1}/_{3}$% |
| Furniture, fixtures and equipment | 20% |
| Moulds | 20% |
| Motor vehicles | 10% to 25% |
| Yacht | 5% |

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*For the year ended 31 March 2013*

## 18. PROPERTY, PLANT AND EQUIPMENT (continued)

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserve as the depletion base.

The freehold land and buildings on freehold land of the Group are located outside Hong Kong.

At the end of the reporting period, leasehold land and buildings of HK$3,445,000 (2012: HK$5,731,000) are located outside Hong Kong and remaining of HK$3,443,000 (2012: HK$3,597,000) are located in Hong Kong. The leasehold land and buildings of the Group are held under medium-term lease.

## 19. PREPAID LEASE PAYMENTS

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Analysed for reporting purpose as | | |
| Current asset | **–** | 104 |
| Non-current asset | **–** | 1,886 |
| | **–** | 1,990 |
| The Group's prepaid lease payments comprise: | | |
| Leasehold land outside Hong Kong | **–** | 1,990 |

The leasehold land of the Group was held under medium-term lease and charged to profit or loss on a straight-line basis over the lease terms, which was reclassified to assets classified as held for sale during the year ended 31 March 2013.

## 20. INVESTMENT PROPERTY

| | HK$'000 |
|---|---|
| COST | |
| At 1 April 2011, 31 March 2012 and 2013 | 1,624 |
| DEPRECIATION | |
| At 1 April 2011 | 599 |
| Provided for the year | 32 |
| At 31 March 2012 | 631 |
| Provided for the year | 32 |
| **At 31 March 2013** | **663** |
| CARRYING VALUES | |
| **At 31 March 2013** | **961** |
| At 31 March 2012 | 993 |

In the opinion of the directors, the estimated fair value of investment property as at 31 March 2013 is approximately HK$9,712,000 (2012: HK$4,696,000) which is estimated by reference to the recent transaction prices of similar properties.

The above investment property is located in Hong Kong, held under medium-lease term and depreciated on a straight-line basis over the term of the lease of 50 years.

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*For the year ended 31 March 2013*

## 21. MINING RIGHTS

| | HK$'000 |
|---|---|
| COST | |
| At 1 April 2011 | 1,988,480 |
| Acquisition of subsidiaries (note 41) | 1,520,465 |
| Transfer to assets classified as held for sales (note 31a) | (2,041,108) |
| Exchange realignment | 84,702 |
| At 31 March 2012 | 1,552,539 |
| Transfer to assets classified as held for sales (note 31b) | (1,569,650) |
| Exchange realignment | 17,111 |
| **At 31 March 2013** | **–** |
| AMORTISATION | |
| At 1 April 2011 | – |
| Provided for the year | 556 |
| At 31 March 2012 | 556 |
| Provided for the year | 992 |
| Exchange realignment | 11 |
| Transfer to assets classified as held for sales (note 31b) | (1,559) |
| **At 31 March 2013** | **–** |
| CARRYING VALUES | |
| **At 31 March 2013** | **–** |
| At 31 March 2012 | 1,551,983 |

Mining rights are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

## 22. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

### Interests in associates

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Unlisted investments, at cost | **1** | – |
| Share of post-acquisition profits | **18** | – |
| | **19** | – |

During the year ended 31 March 2013, the Group and a director of subsidiaries incorporated two entities, in which the Group and the director of subsidiaries hold 40% and 60% equity interests respectively. Details of the Group's associates as at 31 March 2013 are as follows:

| **Name of associate** | **Place of incorporation/ operation** | **Proportion of nominal value of issued ordinary shares held by the Group** | **Principal activity** |
|---|---|---|---|
| Richluck International Limited | Hong Kong | 40% | Property leasing |
| Double Rich Cooperation Limited | Hong Kong | 40% | Property leasing |

The summarised financial information in respect of the Group's associates is set out below:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Total assets | **9,265** | – |
| Total liabilities | **(9,218)** | – |
| Net assets | **47** | – |
| Group's share of net assets of associates | **19** | – |
| Total revenue | **70** | – |
| Total profit for the year | **45** | – |
| Group's share of results of associates for the year | **18** | – |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 22. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (continued)

### Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amount will not be repaid in the next 12 months from the end of the reporting period.

## 23. AVAILABLE-FOR-SALE INVESTMENTS

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Available-for-sale investments include: | | |
| Equity securities listed in Hong Kong, at fair value | **129,424** | – |
| Equity securities listed outside Hong Kong, at fair value | **369** | 146 |
| Debentures listed outside Hong Kong with fixed interest of 10.5% and maturity date on 14 January 2016, at fair value | **4,327** | 3,261 |
| Unlisted equity securities, at cost | **37,101** | 5,095 |
| Club debentures, at fair value | **2,258** | 2,710 |
| | **173,479** | 11,212 |

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

Unlisted equity securities represent investments in unlisted equity securities issued by two private entities. The business of these companies are investment holding and securities trading. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. During the year ended 31 March 2012, the Group disposed of certain unlisted equity securities with an aggregate carrying value of approximately HK$1,560,000 to an independent third party at HK$561,000, which has been carried at cost less impairment before the disposal. Loss on disposal of HK$999,000 was recognised in profit or loss.

Club debentures are stated at fair values which have been determined by reference to the quoted prices in the secondary markets.

As at 31 March 2013, the available-for-sale investments of approximately HK$6,416,000 (2012: HK$3,696,000) are denominated in currencies other than the functional currency of the respective group entities.

## 24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Celebrate Bond (Note i) | **8,735** | – |
| Mascotte Bond (Note ii) | **–** | – |
| Convertible ICube Bond (Note iii) | **5,572** | – |
| Innotech Bond (Note iv) | **7,249** | – |
| | **21,556** | – |

Notes:

(i) On 5 September 2012, the Group purchased an unlisted zero coupon convertible bond issued by Celebrate International Holdings Limited ("Celebrate Bond") with principal amount of HK$20 million from an independent third party at a consideration of HK$20 million. The Celebrate Bond is denominated in HK$ and will mature on 27 May 2016. The Group has the right to convert the Celebrate Bond to ordinary shares of Celebrate International Holdings Limited, at any time before the maturity date, at a conversion price of HK$9.902 per share. If the Group does not exercise the conversion right, the Celebrate Bond will be repayable at the maturity date at 100% of the principal amount. The Group designated the entire Celebrate Bond as financial assets at FVTPL at initial recognition.

The fair value of the debt component of the Celebrate Bond was determined based on the present value of the estimated future cash flows discounted at the prevailing market rate of interest of similar instruments. The fair value of the embedded options was calculated using the binomial model. The inputs into the valuation of the Celebrate Bond were as follows:

| | **At 31 March 2013** |
|---|---|
| Stock price of Celebrate International Holdings Limited | **HK$0.345** |
| Conversion price | **HK$9.902** |
| Risk free rate (Note a) | **0.274%** |
| Expected life (Note b) | **3.159 years** |
| Expected volatility (Note c) | **82.709%** |
| Discount rate | **30.157%** |

As at 31 March 2013, the fair value of the Celebrate Bond was HK$8,735,000, with a fair value loss of HK$11,265,000 charged to profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(ii) On 5 September 2012, the Group purchased an unlisted bond issued by Mascotte Holdings Limited ("Mascotte Bond") with principal amount of HK$30 million from an independent third party at a consideration of HK$30 million. The Mascotte Bond is denominated in HK$. According to the terms of the Mascotte Bond, the maturity date is two years from the issue date (i.e. 4 January 2014). At the maturity date, Mascotte Holdings Limited may elect at its discretion to extend the term for another 5 years. The Mascotte Bond bears interest at 2.5% per annum for the first 2 years and 12.5% per annum afterwards for the extension period of five years. Interest is payable quarterly in arrears. Mascotte Holdings Limited may also redeem part or all of the Mascotte Bond any time before the maturity date (or the extended maturity date if the term is extended) at principal amount and interest accrued up to redemption date. The Group designated the entire Mascotte Bond as financial assets at FVTPL at initial recognition.

The Mascotte Bond was fully disposed of on 27 November 2012 to an independent third party, at a total consideration of HK$20,000,000, with a fair value loss of HK$10,000,000 charged to profit or loss.

(iii) On 10 December 2012, the Group purchased an unlisted zero coupon convertible bond issued by ICube Technology Holdings Limited ("ICube Bond") with principal amount of HK$19 million from an independent third party at a consideration of HK$18 million. The ICube Bond is denominated in HK$ and will mature on 30 November 2013. The Group has the right to convert the ICube Bond to ordinary shares of ICube Technology Holdings Limited, at any time before the maturity date, at a conversion price of HK$0.125 per share. ICube Technology Holdings Limited may also redeem part or all of the ICube Bond on the maturity date at principal amount. The Group designated the entire ICube Bond as financial assets at FVTPL at initial recognition.

On 8 February 2013, ICube Technology Holdings Limited, the Group and other noteholders of the ICube Bond entered into a deed of variation and agreed to vary certain terms and conditions of the ICube Bond. On 26 March 2013, such variations had been effective. The ICube Bond is notionally divided into two equal portions, namely Interest Bearing ICube Bond and Convertible ICube Bond, and the maturity date is changed to 30 November 2016. The Interest Bearing ICube Bond bears interest at 2.5% per annum, which is accrued since 26 March 2013 and is payable upon maturity with no conversion right being embedded. The Convertible ICube Bond is non-interest bearing and the Group has the right to convert the Convertible ICube Bond to ordinary shares of ICube Technology Holdings Limited, at any time before the maturity date, at a conversion price of HK$0.33 per share. If the Group does not exercise the conversion right, the Convertible ICube Bond will be repayable at the maturity date at 100% of the principal amount. On 26 March 2013, the Group derecognised the ICube Bond as the terms and conditions of the ICube Bond had been significantly changed and recognised the Interest Bearing ICube Bond and Convertible ICube Bond as loan receivables and financial assets designated at FVTPL respectively in accordance with the revised terms and conditions.

## 24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iii) (continued)

The fair value of the debt component of the Convertible ICube Bond was determined based on the present value of the estimated future cash flows discounted at the prevailing market rate of interest of similar instruments. The fair value of the embedded options attached to the convertible portion was calculated using the binomial model. The inputs into the valuation of the Convertible ICube Bond were as follows:

| | **At 26 March 2013** | **At 31 March 2013** |
|---|---|---|
| Stock price of ICube Technology Holdings Limited | HK$0.210 | HK$0.200 |
| Conversion price | HK$0.330 | HK$0.330 |
| Risk free rate (Note a) | 0.349% | 0.349% |
| Expected life (Note b) | 3.682 years | 3.671 years |
| Expected volatility (Note c) | 40.003% | 40.003% |
| Discount rate | 19.543% | 19.543% |

Fair value of the Interest Bearing ICube Bond as at 26 March 2013 was determined by applying discount rate of 19.543%. The Interest Bearing ICube Bond is stated at amortised cost and is included in the consolidated statement of financial position as loan receivables (see note 29b).

At the date of derecognition, the fair value of ICube Bond was HK$11,144,000, with a fair value loss of HK$6,856,000 charged to profit or loss. Fair value of the Interest Bearing ICube Bond and the Convertible ICube Bond at the date of recognition were HK$5,572,000 and HK$5,572,000 respectively.

As at 31 March 2013, the fair value of the Convertible ICube Bond was HK$5,572,000.

## 24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iv) On 10 December 2012, the Group purchased an unlisted zero coupon convertible bond issued by Inno-Tech Holdings Limited ("Innotech Bond") with principal amount of HK$10 million from an independent third party at a consideration of HK$10 million. The Innotech Bond is denominated in HK$ and will mature on 28 August 2014. The Group had the right to convert the Innotech Bond to ordinary shares of Inno-Tech Holdings Limited, at any time before the maturity date, at a conversion price of HK$3.80 per share. If the Group does not exercise the conversion right, the Innotech Bond will be repayable at the maturity date at 100% of the principal amount. The Group designated the entire Innotech Bond as financial assets at FVTPL at initial recognition.

The fair value of the debt component of the Innotech Bond was determined based on the present value of the estimated future cash flows discounted at the prevailing market rate of interest of similar instruments. The fair value of the embedded options was calculated using the binomial model. The inputs into the valuation of the Innotech Bond were as follows:

| | **At 31 March 2013** |
|---|---|
| Stock price of Inno-Tech Holdings Limited | **HK$0.249** |
| Conversion price | **HK$3.800** |
| Risk free rate (Note a) | **0.188%** |
| Expected life (Note b) | **1.414 years** |
| Expected volatility (Note c) | **59.487%** |
| Discount rate | **34.310%** |

As at 31 March 2013, the fair value of the Innotech Bond was HK$7,249,000, with a fair value loss of HK$2,751,000 charged to profit or loss.

Notes:

(a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the relevant bonds.

(b) Expected life is the expected remaining life of the relevant bonds.

(c) Expected volatility is estimated by calculating the historical weekly share price volatility of the stock price of Celebrate International Holdings Limited, ICube Technology Holdings Limited and Inno-Tech Holdings Limited of the relevant bonds.

## 25. DEPOSITS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Pledged bank deposit (Note a) | – | 5,724 |
| Other deposits (Note b) | – | 1,721 |
| Deposits for purchase of property, plant and equipment | 991 | 88,312 |
| Deposit paid for purchase of a land use right (Note c) | 150,000 | – |
| | 150,991 | 95,757 |

Notes:

(a) The pledged bank deposit carried effective interest at 1.55% per annum. As at 31 March 2013, the pledged bank deposit was transferred to assets classified as held for sale.

(b) Being deposits paid to different government regulators for operating in mining industry, the deposits were refundable upon the cessation of mining activities. As at 31 March 2013, the amount was transferred to assets classified as held for sale.

(c) During the year ended 31 March 2013, the Group entered into a memorandum of understanding with directors of a subsidiary pursuant to which, the Group intends to acquire a land use right situated in the PRC through acquisition of a company owned by these directors. A refundable deposit of HK$150,000,000 has been paid.

## 26. DEFERRED TAXATION

For the purpose of presentation in the consolidated financial statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Deferred tax assets | 205 | 205 |

## 26. DEFERRED TAXATION (continued)

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

| | Fair value adjustment on mining rights HK$'000 | Fair value adjustments on property, plant and equipment and prepaid lease payments HK$'000 | Withholding tax arise from PRC subsidiaries (Note) HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2011 | (493,235) | (3,130) | (185) | 390 | (496,160) |
| Reclassified as held for sales | 506,262 | 3,353 | – | – | 509,615 |
| Exchange realignment | (13,027) | (223) | – | – | (13,250) |
| At 31 March 2012 and 2013 | – | – | (185) | 390 | 205 |

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

At 31 March 2013, the Group has unused estimated tax losses of HK$108,345,000 (2012: HK$72,218,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$2,364,000 (2012: HK$2,364,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$105,981,000 (2012: HK$69,854,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 27. INVENTORIES

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Raw materials | **4,658** | 10,618 |
| Work in progress | **5,138** | 5,300 |
| Finished goods | **6,641** | 9,003 |
| Coal, consumables and others | **2,840** | 1,205 |
| | **19,277** | 26,126 |

## 28. OTHER CURRENT FINANCIAL ASSETS

### Trade and bills receivables

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **13,178** | 23,034 |
| Bills receivable | **217** | – |
| | **13,395** | 23,034 |

Included in the Group's trade and bills receivables are receivables of approximately HK$6,431,000 (2012: HK$13,686,000) denominated in US$ which is the currency other than the functional currency of the respective group entities.

The Group allows an average credit period of 30 to 60 days to its customers. The aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is stated as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 30 days | **9,351** | 20,474 |
| 31 to 60 days | **2,533** | 906 |
| 61 to 90 days | **1,006** | 627 |
| 91 to 180 days | **505** | 1,027 |
| | **13,395** | 23,034 |

In determining the recoverability of trade and bills receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the report date. The Group considers the trade and bills receivables are determined to be impaired if they are aged for more than 180 days based on the management past experience the balances are not recoverable. The directors believe that there is no further credit provision required as at the end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$4,044,000 (2012: HK$2,559,000) as at 31 March 2013, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 64 days (2012: 72 days) in the year of 2013.

## 28. OTHER CURRENT FINANCIAL ASSETS (continued)

### Ageing of trade receivables which are past due but not impaired

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Overdue by 1 to 30 days | **2,481** | 1,000 |
| Overdue by 31 to 60 days | **1,006** | 955 |
| Overdue by 61 to 180 days | **557** | 604 |
| | **4,044** | 2,559 |

### Other receivables, deposits and prepayments

Other receivables and deposits comprise amounts receivable from third parties and recoverable within one year.

As at 31 March 2012, included in the Group's other receivables are receivables of approximately HK$8,000 denominated in currencies other than the functional currency of the respective group entities.

### Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity date less than three months, carrying effective interest at approximate 0.27% (2012: 0.32%) per annum.

The bank balances and cash of approximately HK$47,963,000 (2012: HK$20,073,000) are denominated in currencies other than the functional currency of the respective group entities.

## 29. LOAN RECEIVABLES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Non-current: | | |
| Promissory note (Note a) | **25,000** | – |
| Interest bearing bond (Note b) | **5,572** | – |
| | **30,572** | – |
| Current: | | |
| Fixed-rate loan receivables (Note c) | **110,000** | – |
| | **140,572** | – |

Notes:

(a) On 6 December 2012, the Group purchased promissory note ("Carnival Note") issued by Carnival Group International Holdings Limited, which is a company with its shares listed on The Stock Exchange of Hong Kong Limited with principal amount of HK$25 million from an independent third party at a consideration of HK$25 million. The Carnival Note is denominated in HK$ and will mature on 21 December 2014. The Carnival Note bears interest at 3.5% per annum which is payable on the maturity date. The Carnival Note will be repayable at the maturity date at 100% of the principal amount with the accrued interest.

(b) Details of the Interest Bearing ICube Bond are set out in note 24(iii).

(c) As at 31 March 2013, loan receivables represent loan provided to three borrowers with effective interests ranging from 20% to 24% per annum and all are repayable in 2013. Other than a loan receivable with principal amount of HK$50,000,000 which was secured by equity shares of a private company, the remaining two loan receivables were unsecured. Subsequent to the end of the reporting period, loan receivables with aggregate amount of HK$60,000,000 were early repaid.

Loan receivables at the end of reporting period are neither past due nor impaired. The Group did not provide impairment loss to loan receivables.

## 30. INVESTMENTS HELD FOR TRADING

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Investments held for trading include: | | |
| Equity securities listed in Hong Kong, at fair value | **138** | 115 |
| Equity securities listed outside Hong Kong, at fair value | **4** | 3 |
| | **142** | 118 |

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

As at 31 March 2013, the investments held for trading of approximately HK$4,000 (2012: HK$3,000) are denominated in currencies other than the functional currency of the respective group entities.

## 31. ASSETS CLASSIFIED AS HELD FOR SALE

### (a) Inner-Mongolia Mining Operation

On 7 September 2011, the Group entered into a sales and purchase agreement with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd. (the "Purchaser"). Pursuant to this sales and purchase agreement, the Group agreed to dispose of Wuhai City Menggang Industrial Development Co., Ltd. and its subsidiaries (collectively referred to as the "Menggang Group") (the "Disposal"), which operated the Group's coal mines in the Inner-Mongolia Autonomous Region in the PRC (the "Inner-Mongolia Coal Mining Operation"), for a cash consideration of RMB1,503,000,000 ("Total Consideration"). In addition to the Total Consideration, the Purchaser was required to advance to the Menggang Group RMB300,000,000 (the "Settlement Fund"), which shall be used to repay the Menggang Group's existing payables to third parties and the current account with the Company and its subsidiaries, before completion of the Disposal. The Settlement Fund had been provided by the Purchaser during the year ended 31 March 2012 and the Settlement Fund was payable to the Purchaser by the Menggang Group. As at 31 March 2012, unused fund was HK$27,554,000, which was deposited in a special purpose bank account of the Menggang Group.

Completion of the Disposal was subject to fulfilment of conditions precedent including, amongst others, the approval from the relevant PRC government departments. During the year ended 31 March 2013, all these conditions were fulfilled and the Disposal was completed on 30 May 2012 (see note 40).

## 31. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

### (a) Inner-Mongolia Mining Operation (continued)

As at 31 March 2012, the assets and liabilities attributable to the Menggang Group to be sold within twelve months had been classified as assets and liabilities held for sale and were separately presented in the consolidated statement of financial position. The Inner Mongolia Coal Mining Operation for the current and prior years were presented as discontinued operation (see note 32).

| | 31 March 2012 HK$'000 |
|---|---|
| Property, plant and equipment | 346,500 |
| Prepaid lease payments | 26,176 |
| Mining rights | 2,058,378 |
| Deposits | 14,137 |
| Inventories | 3,081 |
| Other receivables and prepayments | 13,913 |
| Cash deposited in a special purpose account | 27,554 |
| Bank balances and cash | 2,931 |
| Total assets classified as held for sale | 2,492,670 |
| Other payables | (7,029) |
| Deferred tax liabilities | (513,503) |
| The Settlement Fund | (368,280) |
| Total liabilities associated with assets classified as held for sale | (888,812) |

### (b) Xinjiang Coal Mining Operation

On 12 October 2012, the Group and Up Energy Mining Limited, an independent third party, entered into a sales and purchase agreement ("S&P Agreement"). Pursuant to the S&P Agreement, the Group conditionally agreed to dispose of its entire interest in Champ Universe Limited and its subsidiaries (collectively referred as the "Champ Universe Group"), which operates the Group's coal mines in the Xinjiang Uygur Autonomous Region in the PRC ("the Xinjiang Coal Mining Operation") and to assign HK$1.6 billion shareholder's loan at a consideration of HK$1,580,000,000 subject to adjustments pursuant to the terms of the S&P Agreement (the "Proposed Disposal").

# Notes to the Consolidated Financial Statements

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## 31. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

### (b) Xinjiang Coal Mining Operation (continued)

The consideration will be satisfied by: (i) issue of 367,500,000 shares of Up Energy Development Group Limited ("Up Energy"), ultimate holding company of Up Energy Mining Limited with its shares listed on the Stock Exchange, at an issue price of HK$2 per share ("Up Energy Share(s)"). However, if as at the third anniversary of the completion date of this disposal ("Third Anniversary Date"), the average closing price of the Up Energy Share for the five trading days immediately preceding and including the Third Anniversary Date is less than HK$2 per share, Up Energy shall allot and issue additional new Up Energy Share to the Company (details as set out in the Company's announcement dated 29 October 2012); (ii) HK$845,000,000 by way of cash payment; (iii) put option granted to the Company, pursuant to which, as at the Third Anniversary Date, the Company has the right to request Up Energy to arrange for the sale of the Up Energy Shares, up to a maximum of 140,000,000 shares by way of placing through an independent qualified placing agent nominated by Up Energy at a price to be agreed between Up Energy and such placing agent ("Placing Price"). If the Placing Price is less than HK$2.2 per share, Up Energy shall pay the shortfall as cash compensation to the Company.

Completion of the Proposed Disposal is subject to fulfilment of conditions precedent including, amongst others, the approval from shareholders of the Company and Up Energy. The resolution for the Proposed Disposal was passed by shareholders of the Company in an extraordinary general meeting on 22 February 2013. In the opinion of the directors, the sale of the Champ Universe Group is considered as highly probable as at 31 March 2013.

According to the announcement released by Up Energy on 11 June 2013, a special general meeting will be held by Up Energy on 27 June 2013 to approve the Proposed Disposal as this transaction constitutes a very substantial acquisition for Up Energy under the Listing Rules.

The fair value of the consideration for the Proposed Disposal is expected to exceed the net carrying amount of the relevant assets and liabilities of the Champ Universe Group of HK$1,576,531,000 as at 31 March 2013, accordingly, no impairment losses were recognised, neither when the operation was classified as held for sale nor at the end of the reporting period.

## 31. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

### (b) Xinjiang Coal Mining Operation (continued)

As at 31 March 2013, the assets and liabilities attributable to the Champ Universe Group to be sold within twelve months have been classified as assets and liabilities held for sale and were separately presented in the consolidated statement of financial position. The Xinjiang Coal Mining Operation for the current and prior years were presented as discontinued operation (see note 32).

| | **31 March 2013 HK$'000** |
|---|---|
| Assets of Champ Universe Group: | |
| Property, plant and equipment | **33,328** |
| Prepaid lease payments | **1,898** |
| Mining rights | **1,568,091** |
| Deposits | **7,973** |
| Inventories | **13,917** |
| Trade receivables | **1,980** |
| Other receivables and prepayments | **775** |
| Bank balances and cash | **4,031** |
| Total assets classified as held for sale | **1,631,993** |
| Liabilities of Champ Universe Group: | |
| Trade payables | **2,039** |
| Other payables | **13,252** |
| Provision for restoration and environment costs | **6,802** |
| Borrowing (Note) | **33,369** |
| | **55,462** |
| Deposit received from Up Energy | **10,000** |
| Total liabilities associated with assets classified as held for sale | **65,462** |

Note: During the year ended 31 March 2013, the Group obtained a loan of RMB27 million (equivalent to HK$33,369,000) from a rural credit cooperative union. The loan is unsecured, bears interest at a fixed rate of 9.93% per annum and is repayable on 17 July 2013.

## 32. DISCONTINUED OPERATIONS

The combined results of the discontinued operations (i.e. the Inner-Mongolia Coal Mining Operation and Xinjiang Coal Mining Operation) (as defined in note 31) included in the loss for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include the Xinjiang Coal Mining Operation, which was classified as discontinued operation in the current year.

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Loss for the year from discontinued operations is analysed as follows: | | |
| Revenue | **32,997** | 2,861 |
| Cost of sales | **(26,810)** | (1,451) |
| Other income, gain and loss | **2,620** | 2,322 |
| Distribution and selling costs | **(394)** | (110) |
| Administrative expenses | **(20,418)** | (18,051) |
| Written off of deposits for purchase of property, plant and equipment (Note a) | **(86,693)** | – |
| Other expenses (Note b) | **(266)** | (15,273) |
| Finance costs – interest on borrowings wholly repayable within five years | **(2,365)** | – |
| Tax credit | **–** | 277 |
| | **(101,329)** | (29,425) |
| Gain on disposal of operation | **141,619** | – |
| Attributable income tax expenses | **(124,121)** | – |
| Loss for the year from discontinued operations | **(83,831)** | (29,425) |

Notes:

(a) The amount represents the deposits paid to suppliers in previous years for purchase of property, plant and equipment for the planned technical improvement works to be carried out by the Group's Xinjiang Coal Mining Operation. During the year ended 31 March 2013, as a result of the Proposed Disposal, the Group entered into termination agreements with these suppliers to cancel the purchase of property, plant and equipment. Since the deposits paid were non-refundable, after entering into the termination agreements, the deposits paid were written off accordingly.

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## 32. DISCONTINUED OPERATIONS (continued)

Notes: (continued)

(b) The Inner-Mongolia Coal Mining Operation was in the process of various technical and quality improvements to attain the safety standards in accordance with the regulation imposed by the PRC authorities. Therefore, there were no coal production and sale of coal by the Inner-Mongolia Mining Operation for both years. Production of the Xinjiang Coal Mining Operation was also suspended production by the relevant PRC authorities for the period from 7 July 2011 to 9 November 2011 to address certain safety issues. There were no coal production and sale of coal by the Xinjiang Coal Mining Operation during this suspended period.

Other expenses represent wages, depreciation expense, consumables and other direct attributable costs incurred during the suspension periods of both the Inner-Mongolia Coal Mining Operation and Xinjiang Coal Mining Operation.

| | **2013**<br>**HK$'000** | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss for the year from discontinued operations have been arrived at after charging (crediting): | | |
| Auditor's remuneration | **18** | 28 |
| Allowance for inventories | **4,149** | – |
| Depreciation of property, plant and equipment | **3,142** | 6,840 |
| Amortisation of mining rights | **992** | 556 |
| Release of prepaid lease payments | **706** | 734 |
| Loss on disposal of property, plant and equipment | **340** | – |
| Directors' emoluments | **-** | – |
| Chief executive's emoluments | | |
| Bonus (Note) | **44,000** | – |
| Other staff costs | | |
| Fees, salaries, bonus and other allowances (Note) | **37,815** | 6,478 |
| Retirement benefit scheme contributions | **2,453** | 1,094 |
| | **84,268** | 7,572 |
| Interest income | **(166)** | (1,047) |
| Cash flows from discontinued operation: | | |
| Net cash flows used in operating activities | **(27,788)** | (28,573) |
| Net cash flows used in investing activities | **(21,344)** | (25,205) |
| Net cash flows from financing activities | **52,647** | 57,261 |

Note: During the year ended 31 March 2013, amount included a special bonus of HK$44,000,000 and HK$6,000,000 paid to the chief executive and other staff respectively in respect of the completion of the disposal of subsidiaries which was included in determining the gain on disposal of subsidiaries. Details are set out in note 40(ii).

## 33. OTHER CURRENT FINANCIAL LIABILITIES

### Trade payables

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 30 to 60 days. The aged analysis of trade payables is stated as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 30 days | **6,345** | 6,589 |
| 31 to 60 days | **1,220** | 3,686 |
| 61 to 90 days | **184** | 402 |
| 91 to 180 days | **83** | 480 |
| | **7,832** | 11,157 |

As at 31 March 2013, included in the Group's trade payables, HK$680,000 (2012: HK$1,404,000) are denominated in currencies other than the functional currency of the respective group entities.

### Other payables, deposits received and accruals

Other payables principally comprise amounts outstanding for ongoing costs.

As at 31 March 2013, included in other payables, deposits received and accruals, HK$2,485,000 (2012: HK$428,000) are denominated in currencies other than the functional currency of the respective group entities.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 34. SECURED NOTES

On 6 September 2012, the Company entered into an investment agreement (the "Investment Agreement") with Cheer Hope Holdings Limited, an independent third party subscriber (the "Investor"), pursuant to which, the Company agreed to issue and the Investor agreed to subscribe for a note (the "Notes") in the aggregate principal amount of up to US$40,000,000. Pursuant to the Investment Agreement, the Company also agreed to issue warrants to the Investor (the "Warrants") to subscribe the Company's ordinary shares with an aggregate exercise price of up to US$10,000,000 for a period of one year commencing from the date of issue of the Warrants. The subscription price of the Warrants had not been agreed by the Company and the Investor. On 4 October 2012, the Company and the Investor entered into an agreement, pursuant to which, the date to agree on the subscription price of the Warrants was extended to 31 December 2012. On 24 December 2012, the Company further entered into an agreement (the "Supplementary Investment Agreement"), pursuant to which, the Company and the Investor agreed that the Warrants would not be issued and the Company's obligation to issue the Warrants was released.

The maturity date of the Notes is one year after the issue date. The Notes bear fixed interest rate at 17% per annum. The Notes may be early redeemed in whole or in part by the Company at 100% of the principal amount of the Notes to be redeemed and together with all accrued interest.

The Notes are secured by equity charges of certain subsidiaries of the Company.

On 12 September 2012, the Company issued the Notes with principal amount of US$16,000,000 (equivalent to HK$123,880,000) for cash proceeds of HK$113,358,000. The Group designated the Notes as financial liabilities at FVTPL at initial recognition.

## 34. SECURED NOTES (continued)

The fair value of the Notes was determined based on the present value of the estimated future cash flows discounted by the prevailing market rate of interest of similar instruments. The fair value of the embedded early redemption option was calculated using the option pricing model. The inputs into the valuation of the Notes were as follows:

| | **At 31 March 2013** |
|---|---|
| Risk free rate (Note a) | **0.097%** |
| Credit and other spread (Note b) | **22.503%** |
| Discount rate | **22.975%** |

As at 31 March 2013, the fair value of the Notes was HK$122,582,000, with a fair value loss of HK$20,812,000 charged to profit or loss.

Notes:

a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills with duration similar to the expected life of the Notes.

b) Credit and other spread is determined by reference to credit analysis of the Company and market yield of bonds issued by comparable companies with similar credit strength as well as the Company's specific risk premium.

On 3 April 2013, the Company issued the remaining portion of the Notes with principal amount of US$24,000,000 (equivalent to HK$185,820,000) for cash proceeds of HK$170,210,000. On 8 May 2013, the Company fully redeemed the outstanding Notes. Details are set out in note 49(ii).

## 35. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES

As at 31 March 2012, the Group had two types of outstanding convertible notes, which were issued on 24 January 2010 ("CN1") and 15 June 2011 ("CN2"). CN1 is denominated in United States dollars, non-interest bearing, with conversion price of HK$0.88 per share and will mature on 24 January 2018. CN2 is denominated in Hong Kong dollars, bears interest at 2% per annum, with conversion price of HK$0.77 per share and will mature on 15 June 2016.

CN1 contained the following components:

(a) Debt component represented the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The effective interest rate of the debt component for CN1 was 8.52% per annum; and

(b) Embedded derivative represented the embedded conversion option of CN1 to convert the liability into equity of the Company but the conversion would be settled other than by the exchange of a fixed number of the Company's own equity.

CN2 contained the following components:

(a) Debt component represented the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The effective interest rate of the debt component for CN2 was 18.01% per annum. The debt component also included the value of the early redemption option, which the Company may redeem CN2 at 100% of the principal amount together with the accrued interests at any time before the maturity date of the CN2 as the option was closely related to the host debt instrument; and

## 35. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

(b) Equity component represented the embedded conversion option to convert the liability into equity of the Company and the conversion would be settled by the exchange of fixed amount of cash or another financial asset for a fixed number of the Company's own equity.

| | Debt component HK$'000 | CN1 embedded conversion option HK$'000 | CN2 equity HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2011 | 217,835 | 180,882 | – | 398,717 |
| At initial recognition of CN2 | 270,116 | – | 304,884 | 575,000 |
| Coupon interest | (8,036) | – | – | (8,036) |
| Redemption during the year (Note i) | (248,824) | – | – | (248,824) |
| Transfer to accumulated losses upon redemption | – | – | (168,084) | (168,084) |
| Imputed interest charged (Note 11) | 49,002 | – | – | 49,002 |
| Gain arising from change in fair value recognised in profit or loss | – | (180,839) | – | (180,839) |
| Re-measurement of the debt components (Note ii) | 357,963 | – | – | 357,963 |
| At 31 March 2012 (Note iii) | 638,056 | 43 | 136,800 | 774,899 |
| Gain arising from change in fair value recognised in profit or loss | – | (43) | – | (43) |
| Interest charged (Note 11) | 1,293 | – | – | 1,293 |
| Repayment (Note iv) | (639,349) | – | – | (639,349) |
| Transfer to accumulated losses upon redemption | – | – | (136,800) | (136,800) |
| **At 31 March 2013** | **-** | **-** | **-** | **-** |

## 35. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

(b) (continued)

Notes:

(i) On 28 November 2011 and 16 March 2012, the Company redeemed CN2 through exercise of early redemption option with principal amount of HK$137,000,000 and HK$180,000,000 respectively. The difference of HK$68,176,000 between the carrying value of the redeemed debt component of HK$248,824,000 with its fair value at the date of redemption, which is equivalent to the redemption price of HK$317,000,000, was charged to profit or loss as loss on redemption.

(ii) Subsequent to entering into the sales and purchase agreement in relation to the Disposal (as set out in note 31a), the Company reached agreement with the noteholders that, upon completion of the Disposal, the Group would settle the entire outstanding amount of CN1 and CN2 by proceeds obtained from the Disposal. The resolution for the Disposal was passed by shareholders in extraordinary general meeting on 10 February 2012 and accordingly, the Group re-measured the carrying value of CN1 and CN2 to their present value of the estimated future cash flows, which were approximately HK$380,056,000 and HK$258,000,000 respectively, with the difference charged to profit or loss as "loss on re-measurement of the debt components of convertible notes".

(iii) As at 31 March 2012, the debt components of CN1 and CN2 with aggregated carrying amount of HK$638,056,000 and the embedded derivatives of CN1 of HK$43,000 were classified as current liabilities, as in the opinion of the directors, the entire outstanding amount of CN1 and CN2 would be settled within the next twelve months.

(iv) During the year ended 31 March 2013, the Group repaid the entire principal amount of CN1 and CN2 and accrued interests by cash.

## 35. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

The fair value of the embedded conversion option of CN1 was calculated using the Binomial Option Pricing Model. The inputs into the model at 31 March 2012 were as follows:

| | 31 March 2012 |
|---|---|
| Share price | HK$0.24 |
| Conversion price | HK$0.88 |
| Expected life (Note a) | 0.25 years |
| Risk free rate (Note b) | 0.672% |
| Expected volatility (Note c) | 84.233% |

Notes:

(a) Expected life was the expected remaining life of the embedded conversion option. As at 31 March 2012, as the Company reached agreement with the noteholders to settle the entire outstanding amount of CN1 by proceeds obtained from the Disposal, and the directors expected the settlement would be completed in approximately three months, the expected life was revised accordingly.

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

(c) Expected volatility for embedded conversion option was estimated by calculating the historical weekly share price volatility of the comparable companies engaged in similar businesses as the Group's various business segments.

## 35. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES (continued)

The fair value of the embedded conversion option of CN2 at the date of issue was calculated using the Binomial Option Pricing Model. The inputs into the model at the date of issue were as follows:

| | 15 June 2011 |
|---|---|
| Share price (Note a) | HK$0.75 |
| Conversion price | HK$0.77 |
| Expected life (Note b) | 5 years |
| Risk free rate (Note c) | 1.422% |
| Expected volatility (Note d) | 74.47% |

Notes:

(a) Based on the quoted market price.

(b) Expected life was the expected remaining life of the embedded conversion option.

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

(d) Expected volatility for embedded conversion option was estimated by calculating the historical weekly share price volatility of the comparable companies engaged in similar businesses as the Group's various business segments.

As at 31 March 2012, the debt component of CN1 amounting to HK$380,056,000 and embedded derivatives amounting to HK$43,000 were denominated in currency other than the function currency of the Company.

## 36. RETIREMENT BENEFIT SCHEMES

The Group operated a pension scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently administrated fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible Hong Kong employees' monthly relevant income but limited to the cap of HK$1,250 per month starting from 1 June 2012 (prior to 1 June 2012: HK$1,000). The contributions are charged to profit or loss.

The employees of the Group's subsidiaries in the PRC and a subsidiary in France are members of state-managed retirement benefit schemes operated by respective local governments. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and cost charged to profit or loss of HK$6,184,000 (2012: HK$4,417,000) represent contribution paid or payable to the schemes by the Group at rates specified in the rules of the schemes.

### Defined benefit plan

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary in France. Under the scheme, the employees are entitled to retirement benefits which are based on the estimated final salary and the length of the service to the retirement. No other post-retirement benefits are provided.

## 37. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

| | HK$'000 |
|---|---|
| At 1 April 2011 | – |
| Acquisition of subsidiaries (Note 41) | 6,145 |
| Unwinding of discounting effect for the year | 1,020 |
| Exchange adjustment | 124 |
| At 31 March 2012 | 7,289 |
| Estimation adjustment | (1,118) |
| Unwinding of discounting effect for the year | 584 |
| Exchange adjustment | 47 |
| Transfer to assets classified as held for sale (Note 31b) | (6,802) |
| **At 31 March 2013** | **–** |

The provision for restoration and environmental costs has been determined by the directors based on their best estimate. The discount rate applied is approximate 6%.

## 38. SHARE CAPITAL

| | **Number of shares** | **Share capital** HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.05 each | | |
| Authorised: | | |
| At 1 April 2011 | 5,000,000,000 | 250,000 |
| Increased on 15 July 2011 | 5,000,000,000 | 250,000 |
| At 31 March 2012 and 2013 | 10,000,000,000 | 500,000 |
| Issued and fully paid: | | |
| At 31 March 2011 | 2,411,463,553 | 120,573 |
| Placing of shares | 574,513,810 | 28,726 |
| Shares issued upon conversion of convertible shares | 941,558,441 | 47,078 |
| At 31 March 2012 | 3,927,535,804 | 196,377 |
| Shares issued upon exercise of warrants | 3,000,000 | 150 |
| **At 31 March 2013** | **3,930,535,804** | **196,527** |

## 38. SHARE CAPITAL (continued)

Details of the changes in the Company's share capital for the year ended 31 March 2012 and 2013 are as follows:

(a) On 16 March 2012, private placements to independent private investors of 574,513,810 new shares of HK$0.05 each in the Company were completed, at a placing price at HK$0.325 per share.

(b) During the year ended 31 March 2012, a total of 941,558,441 new ordinary shares of the Company of HK$0.05 each were issued upon the conversion of the convertible shares of the Company. Details are set out in note 42.

(c) During the year ended 31 March 2013, a total of 3,000,000 new ordinary shares of the Company of HK$0.05 each were issued upon the exercise of 3,000,000 warrants at HK$0.1625 per share. Details of the warrants are set out in note 39.

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

## 39. RESERVES

### Share premium

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **2,819,303** | 2,008,087 |
| Issue of new shares upon exercise of warrants | **337** | – |
| Issue of new shares upon placing | **–** | 157,991 |
| Issue of new shares upon conversion of convertible shares | **–** | 659,091 |
| Transaction costs attributable to issue of new shares upon placing | **–** | (5,866) |
| At the end of year | **2,819,640** | 2,819,303 |

## 39. RESERVES (continued)

### Warrant reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **6,331** | – |
| Warrants matured | **(6,331)** | – |
| Issue of warrants (Note) | **7,855** | 6,547 |
| Transaction costs attributable to issue of warrants | **(256)** | (216) |
| Exercise of warrants (Note) | **(29)** | – |
| At the end of the year (Note) | **7,570** | 6,331 |

Note: On 21 January 2013, 785,500,000 warrants of the Company were issued under a placing arrangement to 19 independent placees at issue price of HK$0.01 per warrant at exercise price of HK$0.1625 per share. The proceeds from the placing of the warrants were approximately HK$7,855,000. The warrants issued by the Company were classified as equity instrument, which is stated at the proceeds received, net of direct issue cost.

During the year ended 31 March 2013, a total of 3,000,000 warrants were exercised. As at 31 March 2013, there was 782,500,000 warrants outstanding which is convertible into 782,500,000 new ordinary shares of the Company.

### Statutory surplus reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning and the end of year | **3,539** | 3,539 |

## 39. RESERVES (continued)

### Convertible note equity reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **136,800** | – |
| Issue of convertible notes | **–** | 304,884 |
| Transfer to accumulated losses upon redemption | **(136,800)** | (168,084) |
| At the end of the year | **–** | 136,800 |

### Share option reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **34,719** | 16,585 |
| Transfer to accumulated losses upon forfeiture of share options | **(6)** | (133) |
| Recognition of equity-settled share-based payments | **9,187** | 18,267 |
| At the end of year | **43,900** | 34,719 |

### Asset revaluation reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **1,826** | 1,400 |
| Fair value changes on available-for-sale investments | **(4,011)** | (289) |
| Reclassification adjustment to profit or loss on impairment loss | **15,555** | 715 |
| Reclassification adjustment to profit or loss upon disposal | **3,327** | – |
| At the end of year | **16,697** | 1,826 |

## 39. RESERVES (continued)

### Special reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning and the end of year | **(5,754)** | (5,754) |

### Translation reserve

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At the beginning of year | **181,956** | 85,700 |
| Exchange differences arising on translation of foreign operations | **15,458** | 96,256 |
| Reclassification adjustments relating to foreign exchange operation disposed of | **(120,505)** | – |
| At the end of year | **76,909** | 181,956 |

## 40. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2013, the Group disposed of its entire interest in the Menggang Group. The net gain on disposal of the Menggang Group was as follows:

Analysis of assets and liabilities over which control was lost:

| | 2013<br>HK$'000 |
|---|---|
| Property, plant and equipment | 359,600 |
| Prepaid lease payments | 25,891 |
| Mining rights | 2,056,632 |
| Deposits | 19,137 |
| Inventories | 3,070 |
| Other receivables and prepayments | 20,033 |
| Cash deposited in a special purpose account | 8,285 |
| Other payables | (3,920) |
| Deferred tax liabilities | (513,018) |
| The Settlement Fund | (366,990) |
| | 1,608,720 |

Net gain on disposal of subsidiaries:

| | 2013<br>HK$'000 |
|---|---|
| Consideration received and receivable (Note i) | 1,846,817 |
| Adjustment on consideration (Note i) | (92,870) |
| Net assets disposed of | (1,608,720) |
| Reclassification of cumulative translation reserve upon disposal of the Menggang Group to profit or loss | 120,505 |
| Stamp duty and other direct costs (Note ii) | (124,113) |
| Net gain on disposal | 141,619 |

Net gain on disposal of HK$141,619,000, together with attributable income tax expenses related to this disposal of HK$124,121,000, are included in profit or loss from discontinued operation in the consolidated statement of comprehensive income (see note 32).

## 40. DISPOSAL OF SUBSIDIARIES (continued)

Net cash inflow arising on disposal at the date of:

| | 2013<br>HK$'000 |
|---|---|
| Total cash consideration received (Note iii) | **1,604,072** |
| Stamp duty and other direct costs paid (Note ii) | **(124,113)** |
| Withholding tax paid (Note iv) | **(105,589)** |
| | **1,374,370** |

Notes:

(i) According to the sales and purchase agreement entered into between the Group and the Purchaser, the Total Consideration of RMB1,503,000,000 (approximately HK$1,846,817,000) will be satisfied by four instalments: HK$949,417,000 by completion; HK$523,759,000 by 90 days subsequent to the completion; HK$280,763,000 by 180 days subsequent to the completion and the remaining HK$92,878,000 by fifteen months subsequent to the completion. On 19 November 2012, the Group and the Purchaser entered into a supplemental agreement in relation to the Disposal ("Supplemental Agreement"), pursuant to which the Group and the Purchaser agreed to reduce the Total Consideration by RMB75,000,000 (approximately HK$92,870,000). Such reduction shall be settled by deducting the third installment by RMB40,000,000 (approximately HK$49,613,000) and deducting the final installment by RMB35,000,000 (approximately HK$43,257,000).

(ii) The successful completion of the Disposal generated significant cash flows and net gain on disposal of subsidiaries to the Group. In order to recognise the efforts of certain employees participating in this transaction, the remuneration committee of the Company approved a special bonus of HK$50 million in September 2012. Included in this special bonus, HK$44 million was paid to the chief executive and the remaining HK$6 million was paid to other staff.

(iii) During the year ended 31 March 2013, the Purchaser fully settled the first and second installment, plus HK$130,896,000 of the third installment, which is RMB80 million (or equivalent to HK$100,254,000) less than the adjusted third installment amount in accordance with the Supplemental Agreement.

On 6 December 2012, the Purchaser received a notice (the "Notice") from the tax bureau of Wuhai City Hainan District in the Inner Mongolia Autonomous Region (the "Tax Bureau"). Pursuant to which, the Tax Bureau requested the Purchaser to withhold additional business tax of RMB80 million. In the view of the directors of the Company, such additional business tax is not applicable to this transaction, hence the Group negotiated with the Tax Bureau and finally the Tax Bureau revoked the Notice on 3 April 2013. However, this RMB80 million outstanding amount has not been settled by the Purchaser.

## 40. DISPOSAL OF SUBSIDIARIES (continued)

Notes: (continued)

(iii) (continued)

On 16 May 2013, an arbitration was filed by the Group to China International Economic and Trade Arbitration Commission to claim this unsettled amount. As the arbitration is in a preliminary stage, the Purchaser has not yet shared its reason and position for not settling the outstanding amount. In view of the Notice was revoked by Tax Bureau, in the opinion of the directors, the Group has a meritorious ground on the arbitration, so the risk of non-recoverability of the amount is minimal, and no impairment is required as at 31 March 2013.

As at 31 March 2013, consideration receivable of RMB120,150,000 (or equivalent to HK$149,875,000) represents the unsettled portion of the third installment and the undue fourth installment.

(iv) Withholding tax recognised in respect of the Disposal was HK$124,121,000. As at 31 March 2013, HK$18,532,000 of the total withholding tax was not yet settled and will be settled according to the repayment schedule as stated in note (i) above.

## 41. ACQUISITION OF ASSETS THROUGH PURCHASE OF SUBSIDIARIES

On 28 January 2011, the Company, Champ Universe Limited, a wholly owned subsidiary of the Company, and Tai Rong Xin Ye International Power Generating Inc. ("Tai Rong") entered into a sale and purchase agreement, pursuant to which, Champ Universe Limited agreed to acquire the entire interest of Venture Path Limited and its subsidiaries (collectively referred to as the "Venture Path Group") from Tai Rong at an aggregate consideration with fair value of HK$1,531,169,000, satisfied by (i) HK$250,000,000 cash consideration; (ii) HK$575,000,000 by issue of the CN2 (see note 35); and (iii) HK$706,169,000 by the issue of the convertible shares (see note 42). The Venture Path Group owns Baicheng Wenzhou Mining Development Co., Ltd. which is principally engaged in the Xinjiang Coal Mining Operation. During the year ended 31 March 2011, the Company paid HK$250,000,000 to Tai Rong as deposit for the acquisition. The acquisition was completed on 15 June 2011.

## 41. ACQUISITION OF ASSETS THROUGH PURCHASE OF SUBSIDIARIES (continued)

Assets and liabilities recognised at the date of acquisition:

| | 2012<br>HK$'000 |
|---|---|
| Property, plant and equipment | 19,251 |
| Prepaid lease payments | 1,952 |
| Mining right | 1,520,465 |
| Deposits | 5,988 |
| Inventories | 780 |
| Other receivables | 1,132 |
| Bank balances and cash | 273 |
| Other payables | (11,168) |
| Tax liabilities | (1,359) |
| Provision for restoration and environmental costs | (6,145) |
| Net assets and liabilities acquired | 1,531,169 |
| Total consideration satisfied by: | |
| Cash deposit paid and included in deposit paid for acquisition of subsidiaries as at 31 March 2011 | 250,000 |
| Convertible notes | 575,000 |
| Convertible shares | 706,169 |
| | 1,531,169 |
| Net cash outflow arose on acquisition: | |
| Net cash consideration paid | – |
| Bank balances and cash acquired | 273 |
| | 273 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 42. CONVERTIBLE SHARES

On 15 June 2011, 941,558,441 convertible shares were issued by the Company as part of the consideration for the acquisition of assets through purchase of subsidiaries (set out in note 41). Fair value of the convertible shares at the date of issue, based on the market price of the ordinary shares of the Company, was HK$706,169,000.

Convertible shares issued by the Company had the same right on return of capital on liquidation or otherwise, but did not carry voting right and did not entitle to dividend or other distribution. Each convertible share could be converted at any time into one ordinary share of the Company, given that, immediately following the conversion, the Company would be able to meet the public float requirement under the Listing Rules and the relevant convertible shareholder, together with the parties acting in concert with it, would not hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Future Commission. The convertible shares were transferrable at any time at the option of the convertible shareholder and the convertible shares were not redeemable and have no maturity period.

During the year ended 31 March 2012, all convertible shares issued were converted into ordinary shares of the Company.

## 43. PLEDGE OF ASSETS

Other than as disclosed at note 34, at 31 March 2012, the Group pledged its leasehold land and buildings with carrying values of HK$2,914,000 to secure the unutilised general banking facilities granted to the Group. The pledge was released during the year ended 31 March 2013 due to the cancellation of the banking facilities.

## 44. COMMITMENTS

### (a) Operating lease commitments

***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** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **10,937** | 8,108 |
| In the second to fifth year inclusive | **6,182** | 12,307 |
| | **17,119** | 20,415 |

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for lease term of two to five years and rentals are fixed over the relevant lease term.

***The Group as lessor***

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **420** | 420 |
| Within two to five years | **1,456** | 1,799 |
| After five years | **–** | 77 |
| | **1,876** | 2,296 |

During the year ended 31 March 2013, rental income under operating leases recognised was HK$420,000 (2012: HK$350,000), less outgoings of HK$88,000 (2012: HK$79,000).

## 44. COMMITMENTS (continued)

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Capital expenditure in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **5,080** | 89,569 |
| Capital expenditure in respect of addition of property, plant and equipment authorised but not contracted for | **1,174,700** | 189,038 |

Note: Capital commitments in respect of addition of property, plant and equipment also included those related to the Group's Xinjiang Coal Mining Operation.

## 45. SHARE OPTION SCHEME

The Company's existing share option scheme was adopted on 16 May 2006 (the "Scheme"). The major terms of the Scheme are set out below:

(i) The purpose was to provide incentives to the participants;

(ii) The participants included any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executives, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants and legal and other professional advisors of the Company or its subsidiaries which, in the opinion of the Company's board of directors, has or had made contribution to the Group;

## 45. SHARE OPTION SCHEME (continued)

(iii) The maximum number of shares in respect of which options might be granted under the Scheme must not exceed 30% of the issued share capital of the Company from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders;

(iv) In relation to each grantee of the options granted under the Scheme, the right of the grantee to exercise the option shall vest in three stages: 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of one year from the acceptance date of the option (the "Acceptance Date") up to the day immediately before the fourth anniversary of the Acceptance Date; 30% of share options granted (rounded down to the nearest whole number of shares) will vest from the expiry of two years from the Acceptance Date up to the day immediately before the fifth anniversary of the Acceptance Date; and 40% of the share options granted (round down to the nearest whole number of shares) will vest from the expiry of three years from the Acceptance Date up to the day immediately before the sixth anniversary of the Acceptance Date;

(v) The exercise price of an option will be determined by the board of directors of the Company and will not be less than the highest of:

- the closing price of the share on the date of grant;
- the average closing price of the share for the 5 business days immediately preceding the date of grant;
- the nominal value of the share; and

(vi) A consideration of HK$1 is payable on acceptance of the offer of grant of options.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 45. SHARE OPTION SCHEME (continued)

Details of the share options outstanding under the Scheme and movements during the two years were as follows:

| | | | | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grantee | Date of grant | Exercising period | Exercise price per share HK$ | Outstanding at 1 April 2011 | Granted during the year | Lapsed during the year | Forfeited during the year | Outstanding at 31 March 2012 | Forfeited during the year | Outstanding at 31 March 2013 |
| **Directors** | | | | | | | | | | |
| Ma Lishan (Note a) | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 6,000,000 | – | – | – | 6,000,000 | – | 6,000,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 6,000,000 | – | – | – | 6,000,000 | – | 6,000,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 8,000,000 | – | – | – | 8,000,000 | – | 8,000,000 |
| Fung Ka Pun (Note b) | 8.6.2007 | 8.6.2010 to 7.6.2013 | 0.860 | 240,000 | – | – | – | 240,000 | – | 240,000 |
| | 1.4.2010 | 1.4.2011 to 31.3.2014 | 1.202 | 6,000,000 | – | – | – | 6,000,000 | – | 6,000,000 |
| | 1.4.2010 | 1.4.2012 to 31.3.2015 | 1.202 | 6,000,000 | – | – | – | 6,000,000 | – | 6,000,000 |
| | 1.4.2010 | 1.4.2013 to 31.3.2016 | 1.202 | 8,000,000 | – | – | – | 8,000,000 | – | 8,000,000 |
| Ng Cheuk Fan, Keith (Note b) | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 1,500,000 | – | – | – | 1,500,000 | – | 1,500,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 1,500,000 | – | – | – | 1,500,000 | – | 1,500,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 2,000,000 | – | – | – | 2,000,000 | – | 2,000,000 |
| Mak Yiu Tong (Note c) | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 600,000 | – | – | – | 600,000 | – | 600,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 600,000 | – | – | – | 600,000 | – | 600,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 800,000 | – | – | – | 800,000 | – | 800,000 |
| Fung Wing Ki, Vicky (Note b) | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 600,000 | – | – | – | 600,000 | – | 600,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 600,000 | – | – | – | 600,000 | – | 600,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 800,000 | – | – | – | 800,000 | – | 800,000 |
| **Chief Executive** | | | | | | | | | | |
| Ms. Li (Note d) | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 5,700,000 | – | – | – | 5,700,000 | – | 5,700,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 5,700,000 | – | – | – | 5,700,000 | – | 5,700,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 7,600,000 | – | – | – | 7,600,000 | – | 7,600,000 |
| Other employees | 8.6.2007 | 8.6.2008 to 5.7.2011 | 0.860 | 30,000 | – | (15,000) | (15,000) | – | – | – |
| | 8.6.2007 | 8.6.2009 to 5.7.2012 | 0.860 | 30,000 | – | – | (15,000) | 15,000 | (15,000) | – |
| | 8.6.2007 | 8.6.2010 to 5.7.2013 | 0.860 | 140,000 | – | – | (120,000) | 20,000 | – | 20,000 |
| | 18.3.2008 | 18.3.2010 to 17.3.2013 | 0.536 | – | – | – | – | – | – | – |
| | 18.3.2008 | 18.3.2011 to 17.3.2014 | 0.536 | – | – | – | – | – | – | – |
| | 27.8.2010 | 27.8.2011 to 26.8.2014 | 0.800 | 1,950,000 | – | – | – | 1,950,000 | – | 1,950,000 |
| | 27.8.2010 | 27.8.2012 to 26.8.2015 | 0.800 | 1,950,000 | – | – | – | 1,950,000 | – | 1,950,000 |
| | 27.8.2010 | 27.8.2013 to 26.8.2016 | 0.800 | 2,600,000 | – | – | – | 2,600,000 | – | 2,600,000 |
| | 27.9.2010 | 27.9.2011 to 26.9.2014 | 0.800 | 4,470,000 | – | – | – | 4,470,000 | – | 4,470,000 |
| | 27.9.2010 | 27.9.2012 to 26.9.2015 | 0.800 | 4,470,000 | – | – | – | 4,470,000 | – | 4,470,000 |
| | 27.9.2010 | 27.9.2013 to 26.9.2016 | 0.800 | 5,960,000 | – | – | – | 5,960,000 | – | 5,960,000 |
| | 8.4.2011 | 8.4.2012 to 8.4.2015 | 0.740 | – | 2,160,000 | – | (210,000) | 1,950,000 | – | 1,950,000 |
| | 8.4.2011 | 8.4.2013 to 8.4.2016 | 0.740 | – | 2,160,000 | – | (210,000) | 1,950,000 | – | 1,950,000 |
| | 8.4.2011 | 8.4.2014 to 8.4.2017 | 0.740 | – | 2,880,000 | – | (280,000) | 2,600,000 | – | 2,600,000 |
| | | | | 89,840,000 | 7,200,000 | (15,000) | (850,000) | 96,175,000 | (15,000) | 96,160,000 |
| Weighted average exercise price | | | | 0.890 | 0.740 | 0.860 | 0.761 | 0.880 | 0.860 | 0.880 |
| Exercisable at the end of the year | | | | | | | | 27,095,000 | | 55,850,000 |

## 45. SHARE OPTION SCHEME (continued)

Notes:

(a) Mr. Ma Lishan resigned as a director of the Company on 9 August 2012.

(b) Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Ms. Fung Wing Ki, Vicky resigned as directors effective from 21 September 2011.

(c) Mr. Mak Yiu Tong resigned as a director of the Company on 31 May 2012.

(d) Ms. Li is a substantial shareholder of the Company and was appointed as chief executive on 23 February 2012.

During the year ended 31 March 2012, the Company granted 7,200,000 options at exercise price of HK$0.74 per share to employees under the Scheme. The fair value of the share options granted determined at the date of grant using Trinomial Option Pricing Model was approximately HK$2,965,000. The fair value of the share option granted will be expensed on straight-line basis over the vesting period from 1 to 3 years.

In determining the fair value of the share options granted during the year ended 31 March 2012, Trinomial Option Pricing Model had been used. The inputs into the model were as follows:

| | **8 April 2011** |
|---|---|
| Share price at grant date | HK$0.74 |
| Exercise price | HK$0.74 |
| Expected life of options (Note a) | 4 to 6 years |
| Expected volatility (Note b) | 63.34% to 68.67% |
| Risk free rate (Note c) | 1.60% to 2.22% |

Notes:

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

(b) Expected volatility was estimated by calculating the historical weekly share price volatility of the comparable companies engaged in similar businesses as the Group's various business segments.

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

## 45. SHARE OPTION SCHEME (continued)

The Trinomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share option are based on directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before 8 April 2011 being the date of grant of the share options during the year, was HK$0.74.

In the current year, share option expenses of approximately HK$9,187,000 (2012: HK$18,267,000) were recognised with a corresponding credit in the Group's share option reserve.

## 46. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 31 March 2013, the Group settled the entire outstanding amount of CN1 and CN2 with an aggregate carrying amount of HK$639,349,000. Noteholders of CN1 and CN2 are companies in which Ms. Li has controlling interests.

(b) During the year ended 31 March 2013, the Group paid HK$150,000,000 as deposit to directors of a subsidiary for acquisition of a land use right situated in the PRC through acquisition of a company owned by these directors. Details are set out in note 25(c).

(c) During the year ended 31 March 2013, interest of HK$1,293,000 (2012: HK$49,002,000) was charged for the convertible notes with the noteholders, in which Ms. Li has controlling interests.

(d) During the year ended 31 March 2013, the Group and a director of subsidiaries incorporated two associates with capital injection of HK$1,000. As at 31 March 2013, the Group has amounts due from associates of HK$3,669,000.

(e) During the year ended 31 March 2012, the Group acquired the entire interest of the Venture Path Group from Tai Rong satisfied by (i) issue of convertible notes with fair value of HK$575,000,000; (ii) issue of convertible shares with fair value of HK$706,169,000; and (iii) cash of HK$250,000,000.

## 46. RELATED PARTY TRANSACTIONS (continued)

(f) During the year ended 31 March 2012, the Group early redeemed CN2 with principal amount of HK$317,000,000 at par value, which was owned by Tai Rong.

(g) During the year ended 31 March 2012, Tai Rong converted 279,347,000 convertible shares into 279,347,000 new ordinary shares of the Company.

The remuneration of directors and other members of key management during the year was as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other short-term benefits | **58,811** | 7,712 |
| Post-employment benefits | **74** | 48 |
| Share-based payments | **4,477** | 12,669 |
| | **63,362** | 20,429 |

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

## 47. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2013, the consideration for the disposal of subsidiaries of HK$149,875,000 was yet to be received and included in the consolidated statement of financial position as consideration receivable. In addition, withholding tax of HK$18,532,000 was yet to be settled and included in consolidated statement of financial position as tax payable.

(b) During the year ended 31 March 2013, the actual consideration received by the Group for the disposal of subsidiaries was HK$1,498,483,000, which represented consideration of HK$1,604,072,000 and net of withholding tax of HK$105,589,000.

(c) During the year ended 31 March 2013, upon the change in certain terms and conditions of the ICube Bond, the fair value of the ICube Bond of HK$11,144,000 was derecognised. The Interest Bearing ICube Bond and the Convertible ICube Bond of HK$5,572,000 and HK$5,572,000 were recognised as financial assets designated at fair value through profit or loss and loan receivables respectively.

## 47. MAJOR NON-CASH TRANSACTIONS (continued)

(d) During the year ended 31 March 2012, as part of the consideration for the acquisition of assets through purchase of subsidiaries, the Group issued convertible notes and convertible shares with fair value of HK$575,000,000 and HK$706,169,000 respectively for this transaction. In addition, cash consideration of HK$250,000,000 was paid in prior year as deposit paid for acquisition of subsidiaries.

(e) During the year ended 31 March 2012, convertible shares with carrying amount of HK$706,109,000 were converted into 941,558,441 ordinary shares of the Company.

(f) As at 31 March 2012, accrued coupon of CN2 redeemed during the year ended 31 March 2012 of HK$6,783,000 was not yet settled and included in other payables, deposits received and accruals.

(g) During the year ended 31 March 2012, addition of property, plant and equipment of HK$4,983,000 was acquired by utilisation of deposits paid in the prior year.

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2013 and 2012 are as follows:

| Name of subsidiary | Place of incorporation or registration/ operations | Class of shares held | Issued and fully paid up share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | 2013 | | 2012 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Winbox (BVI) Limited | The British Virgin Islands ("BVI") | Ordinary | US$460 | **100%** | **-** | 100% | – | Investment holding |
| Win Team Investments Limited | BVI | Ordinary | US$1 | **100%** | **-** | 100% | – | Investment holding |
| Champ Universe Limited | BVI | Ordinary | US$1 | **100%** | **-** | 100% | – | Investment holding |
| Baicheng Wenzhou Mining Development Co., Ltd. | The PRC (Note ii) | Contributed capital | RMB9,280,000 | **-** | **100%** | – | 100% | Development of underground coking coal mine |
| Dardel S.A.S. | France | Ordinary | EUR470,000 | **-** | **100%** | – | 100% | Sale of quality plastic and paper boxes for luxury consumer goods |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2013*

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

| Name of subsidiary | Place of incorporation or registration/ operations | Class of shares held | Issued and fully paid up share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company 2013 | | 2012 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Donguang Ever Green Plastic Manufacturing Company Limited | The PRC (Note ii) | Contributed capital | US$1,000,000 | **-** | **100%** | – | 100% | Manufacture and sale of quality plastic and paper boxes for luxury consumer goods and provision of sub-contracting services (intra group service) |
| Fairich Investment Limited | Hong Kong | Ordinary | HK$2 | **-** | **100%** | – | 100% | Investment holding |
| Grand Cast Limited | Hong Kong | Ordinary | HK$2 | **-** | **100%** | – | 100% | Investment holding |
| Golden Hope Holdings Limited | Hong Kong | Ordinary | HK$1 | **-** | **100%** | – | 100% | Investment holding |
| Merrymaking Investment Limited | BVI | Ordinary | US$10,000 | **-** | **100%** | – | 100% | Investment holding |
| Tianyu Coal Company Limited | The PRC (Note ii) | Contributed capital | RMB170,000,000 | **-** | **-** | – | 100% | Development of underground capital coking coal mine |
| Tianyu Gongmao Company Limited | The PRC (Note ii) | Contributed capital | RMB75,500,000 | **-** | **-** | – | 100% | Exploration of coal business, capital coal mining and development of underground coking coal mine |
| Pleasing Results Limited | BVI | Ordinary | US$50,000 | **-** | **100%** | – | 100% | Investment holding |
| Venture Path Limited | BVI | Ordinary | US$10,000 | **-** | **100%** | – | 100% | Investment holding |
| Winbox Company Limited | Hong Kong | Ordinary | Ordinary shares HK$5,500,000 Non-voting deferred shares HK$5,500,000 (Note i) | **-** | **100%** | – | 100% | Sale of quality plastic and paper boxes for luxury consumer goods |
| Winbox Plastic Manufacturing (Shenzhen) Company Limited | The PRC (Note ii) | Contributed capital | HK$30,000,000 | **-** | **100%** | – | 100% | Manufacture and sale of quality plastic and paper boxes for luxury consumer goods and provision of sub-contracting services (intra group service) |

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

| Name of subsidiary | Place of incorporation or registration/ operations | Class of shares held | Issued and fully paid up share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company 2013 Directly | 2013 Indirectly | 2012 Directly | 2012 Indirectly | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Winpac Europe Limited | United Kingdom | Ordinary | £500,000 | - | 100% | – | 100% | Investment holding |
| Winpac International Limited | Hong Kong | Ordinary | HK$2 | - | 100% | – | 100% | Investment holding |
| Winpac Trading Co. Limited | Hong Kong | Ordinary | HK$500,000 | - | 100% | – | 100% | Sale of quality plastic and paper boxes for luxury consumer goods |
| Winpac SARL | France | Ordinary | EUR10,000 | - | 100% | – | 100% | Property holding |
| Wuhai City Menggang Industrial Development Co., Ltd. | The PRC (Note ii) | Contributed capital | HK$400,000,000 | - | - | – | 100% | Investment holding |
| Hao Tian Management (Hong Kong) Limited | Hong Kong | Ordinary | HK$10,000 | - | 100% | – | 100% | Investment holding and provision of management services |
| Hao Tian Finance Company Limited | Hong Kong | Ordinary | HK$1 | - | 100% | – | 100% | Money lending |
| Hao Tian Hua Chen International Group HK Limited | Hong Kong (Note iii) | Ordinary | HK$10,000,000 | - | 50% | – | – | Investment holding |

Notes:

(i) The holders of the non-voting deferred shares are not entitled to receive notice of or to attend or vote at any general meeting of this subsidiary, and not entitle to participate in the profits of this subsidiary. On a winding up, the holders of the non-voting deferred shares are entitled to be paid out of the surplus assets a return of the capital paid up on such shares after a total of HK$100,000,000 has been distributed in respect of each of the shares.

(ii) These subsidiaries were established in the PRC as wholly foreign-owned enterprise. The English names of these subsidiaries were for identification purpose only.

(iii) The Group holds 50% interest of this subsidiary. In accordance with the shareholder's agreement signed between the Group and other investor, the Group is eligible to appoint three directors of the subsidiary while the other investor can only appoint two directors. Hence, the Group has control over this subsidiary.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 49. EVENTS AFTER THE REPORTING PERIOD

(i) On 11 April 2013, the Company entered into a sales and purchase agreement with an independent third party, Mascotte Holdings Limited, to purchase approximately 5.82% of the issued share capital of Sun Mass Funding Corporation which owns 50% of the equity interest in Sun Materials Technology Co. Ltd. for a cash consideration of HK$50,000,000. Sun Materials Technology Co. Ltd. is principally engaged in the manufacture of solar grade polycrystalline silicon.

This acquisition has been completed on the same day and such investment is accounted for as available-for-sale investment.

(ii) On 6 May 2013, the Group entered into a facility agreement with a bank (the "Facility Agreement"), pursuant to which, the bank will make available to the Group a term loan facility of up to an aggregate of US$40,000,000 with a final maturity date falling three months after the facility is utilised (the "Facility"). The Facility bears interest at the rate of 4.50% per annum and an up-front fee calculated at 1% of the amount being drawn down.

The Facility is secured by two bank accounts, which the Company shall deposit an amount of RMB120,150,000 (approximately HK$149,875,000) upon the receipt of the remaining consideration receivables from the Purchaser (as set out in note 31a) and is secured by shares of the Company and certain subsidiaries.

The Facility has been fully drawn down on 8 May 2013 and the proceeds raised were fully used to redeem the Notes with principal amount of US$40 million (US$16 million issued as at 31 March 2013 and US$24 million issued on 3 April 2013).

(iii) On 7 June 2013, the Group acquired a convertible bond with principal amount of HK$90 million issued by Mascotte Holdings Limited from an independent third party at a consideration of HK$90 million. The bond bearing interest at 5% per annum is denominated in HK$ and will mature on 14 July 2014. The Group has the right to convert the bond to ordinary shares of Mascotte Holdings Limited, at any time before the maturity date, at a conversion price of HK$0.09 per share. If the Group does not exercise the conversion right, the bond will be repayable at the maturity date at 100% of the principal amount. Such investment is accounted for as financial assets designated at FVTPL.

On 17 June 2013, the Group converted the entire bond into 1,000,000,000 ordinary shares of Mascotte Holdings Limited at conversion price of HK$0.09 per share. The investment in equity shares of Mascotte Holdings Limited is accounted for as available-for-sale investments.

# Financial Summary

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2009<br>HK$'000 | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
| Revenue | 166,505 | 97,029 | 122,099 | 140,218 | **112,513** |
| Loss for the year attributable to: | | | | | |
| owners of the Company | (22,871) | (469,409) | (96,646) | (378,458) | **(219,324)** |
| non-controlling interests | – | – | – | – | **(2)** |
| Loss for the year | (22,871) | (469,409) | (96,646) | (378,458) | **(219,326)** |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2009<br>HK$'000 | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
| Total assets | 198,029 | 2,502,224 | 2,744,900 | 4,314,591 | **2,689,216** |
| Total liabilities | (20,932) | (1,403,942) | (945,065) | (1,580,030) | **(241,913)** |
| | 177,097 | 1,098,282 | 1,799,835 | 2,734,561 | **2,447,303** |
| Equity attributable to owners of the Company | 177,097 | 1,098,282 | 1,799,835 | 2,734,561 | **2,442,305** |