鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1131.H.K.)

AGRITRADE
DELIVERING GROWTH

ANNUAL REPORT 2013

CONTENTS

SEM LOCATION

Thermal coal mine, SEM is located immediately north-west of the Central Kalimantan at the town of Tamiang Layang, in the Barito Timur Regency. The mine is one of the very few low sulphur mines located close to the Telang Baru Port.

MOBILE CRUSHER, DUMP TRUCKS, EXCAVATORS, CONVEYOR BELTS

Agritrade Resources, through its subsidiaries and contractors owns and uses a fleet of trucks, tugboats and barges, heavy mining equipment and port handling facilities for coal winning, hauling, road maintenance, loading and barging operations. To ensure operational efficiency, quality and productivity, the company has been consistently focusing on an effective supply chain management by continuously developing and upgrading its infrastructure.

INFRASTRUCTURE

The company transport its coal on Pertamina Road, a 41 km hauling road from its mine to Telang Baru port via hauling trucks. Crushing stockpiling and loading operations are then performed using our fleet of heavy equipment.

To optimize and improve the logistics certainty and production effciency, the Company granted the exclusive using right of Pertamina Road, which secure the logistics certainty and efficiency of our coal mine from pit to port. The Company also further increase loading facilities and equipments to improve the overall production and logistics efficiency.

CORPORATE PROFILE

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

Producing and selling under our own brand, SEM coal, a sub-bituminous, low-sulphur, low-pollutant thermal coal with a calorific value (on an as-received basis) of approximately 3,800 kcal/kg in its raw form.

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

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

Agritrade Resources Limited is the owner and operator of PT Senamas Energindo Mineral, a

2,000 HA

coal mine in Central Kalimantan, Indonesia

BUILDING
FOR THE FUTURE

Backed by efficient mining processes and large mineable reserves of 117.9 million tonnes, we are on track for

6 MILLION TONNES

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

CEO'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of Agritrade Resources Limited, it is my honour and privilege to present to you the Company's Annual Report for the financial year ended 31 March 2013 ("**FY2013**"). At the same time, I will like to update you on our key developments in the past financial year and achievements to date.

INCREASE IN RESERVES AND RESOURCES

In FY2013, the Company has undergone a JORC review update prepared by DMT Geosciences Ltd. (former "**Associated Geosciences Limited**") under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the "**JORC**") standard (set out in the Company's announcement dated 13 November 2012) demonstrated a significant increase of total open-cut coal reserves of the mine, from 41.0 million tonnes to 117.9 million tonnes with an increase of 187.6% and the resources of the mine also increased from 78.3 million tonnes to 152.7 million tonnes with an increase of 95.0%.

INCREASED REVENUES AND PROFITS

In FY2013, the Group recorded an operation turnover of approximately HK$757.2 million (2012: HK$536 million), representing an increase of approximately 41.3% as compared to same period last year. The increase in coal production from 1.5 million tonnes in 2012 to 2.8 million tonnes in 2013 was the main reason for the strong growth in revenues. Gross profit increased from HK$109.6 million to HK$212.5 million. The increase in turnover and gross profit were mainly due to the increased turnover and improvement of the average profit margin from the Group's mining operation. The group improved its gross profit margin from 20.4% in the financial year ended 31 March 2012 ("FY2012") to 28.1% in FY2013.

The Group recorded a consolidated profit attributable to owners of the Company of approximately HK$53.5 million in FY2013, as compared to a loss of HK$17.6 million recorded in corresponding period in 2012. For the

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

2.8 MILLION TONNES

per annum

past two years, the Group has been establishing its mining business and rationalizing its non-core business, this translated into one-off gain from bargain purchase in 2011 and net loss from disposal/discontinue of business in current financial year.

LOGISTICS

To further improve the logistics certainty and efficiency, during the period under review, the Company entered into the road leasing agreement with PT Pertamina (Persero) ("**Pertamina**") and has been granted the exclusive using right of Ex-Pertamina Road ("**Pertamina Road**") for a term of 10 years. The Pertamina Road is the main hauling road connecting the SEM mine to the Telang Baru jetty, and it is one of the most important coal hauling roads for the coal operators in the Tamiang Layang region. The exclusive using right of the Pertamina Road enables SEM to have a reliable and smooth transportation even during the rainy seasons. After entering into the road leasing agreement in October 2012, the monthly production capacity of the SEM mine has increased from an average of 180,000 tonnes to 240,000 tonnes. The management estimates that SEM shall further increase its production capacity from 2.8 million tonnes annually up to a range between 3.5 to 4 million tonnes in the coming 12 months, and the production capacity of SEM will continue to increase steadily as the Company continues to grow.

OUTLOOK

Despite the down turn of the global economy, the long-term demand for thermal coal in Asia still remains robust, especially in those developing countries such as Indonesia, India and other South East Asian countries. In particular, the total coal production in Indonesia is expected to be 400 million tonnes in 2013, a 4% increase from 2012's figures, according to forecasts by the Indonesian Coal Mining Association ("APBI"). In addition, China and India continue to be the largest importers of Indonesian coal, taking first and second place respectively since 2009. India's Ministry of Coal expects that India's coal demand may experience an annual rise of 41% during the next 5 years, while its coal deficit is expected to double to 265 million tonnes in the 2016/17 fiscal year from the current level of around 137 million tonnes. The Company believes the enormous market demand and the Indonesian domestic market will continue to be the key growth drivers for SEM coal products.

APPRECIATION

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

With Warm Regards,

Agritrade Resources Limited
Chief Executive Officer

BOARD OF DIRECTORS

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

Executive Directors

RASHID BIN MAIDIN

Chief Executive Officer and Executive Director

Mr. Rashid, aged 40, Singaporean, was appointed Chief Executive Officer and Executive Director of the Company in 2010, and is also Chairman of the Executive Committee.

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

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

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

NG XINWEI

Chief Operating Officer and Executive Director

Mr. Ng, aged 27, Singaporean, is the Chief Operating Officer and Executive Director of the Company since 2010. He is also a member of the Executive Committee.

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

SHIU SHU MING

Executive Director

Mr. Shiu, aged 43, was appointed Executive Director of the Company in November 2010. Mr. Shiu is also a member of the Executive, Remuneration and Nomination Committees.

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

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

Mr. Shiu is the director of certain subsidiaries of the Group.

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

LIM BENG KIM LULU
Executive Director
Ms. Lim, aged 53, Singaporean, is the General Manager of Agritrade International Pte Ltd and is a member of the Executive Committee.

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

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

Non-Executive Director

CHEN CHOU MEI MEI
Non-Executive Director
Mrs. Chen, aged 64, graduated with a Bachelor of Arts Degree from the University of Colorado in the United States of America and has over 30 years of experience in investments, particularly property related investment. Mrs. Chen is an independent non-executive director of Bingo Group Holdings Limited, a company listed on the GEM of the Stock Exchange and a non-executive director of Wing Tai Properties Limited and an ex-executive director of Vanke Property (Overseas) Limited, the companies which listed on the Stock Exchange.

Independent Non-Executive Directors

SIU KIN WAI
Independent Non-Executive Director
Mr. Siu, aged 44, is an independent non-executive director and chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

Mr. Siu has extensive experience in financial management and corporate advisory and assurance. He is an executive director in Beijing Properties (Holdings) Limited, a company listed on the Hong Kong Stock Exchange.

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

CHONG LEE CHANG
Independent Non-Executive Director
Mr. Chong, aged 54, Malaysian, is an independent non-executive director and chairman of the Nomination Committee and a member of the Audit Committee.

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

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

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

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

CHAN CHEONG YEE
Independent Non-Executive Director
Mr. Chan, aged 49, is an independent non-executive director and chairman of the Remuneration Committee and a member of the Audit Committee.

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

Mr. Chan also holds directorships at China Innovation Investment Limited, China Investment and Finance Group Limited and China Investment Development Limited which are investment companies listed on the Stock Exchange. He is also executive director of Capital VC Limited and China New Economy Fund Limited which are companies listed on the Stock Exchange and Bingo Group Holdings Limited, a company listed on GEM.

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

MANAGEMENT TEAM

AMBRISH L. THAKKER
Head of Business Development
Mr. Thakker, aged 53, Singaporean has been associated with Agritrade Group since 1985. He is appointed as a adviser and heads the Group's business development activities since August 2012. He has 30 years of professional experience in the field of commodity trade and marketing of palm oil, and coal from, Central Asia, Middle East, Europe South Asia and South East Asia. He is specialised in structured trade, marketing and off take arrangements with energy houses and resource companies across these regions.

Mr. Thakker holds Degree in Technical Science from University of Mumbai and Holds Diploma in Business Administration with specialization in Marketing from IIT(C) Mumbai, India.

ASHOK KUMAR SAHOO
Chief Strategy and Investment Officer
Mr. Sahoo, aged 35, is a Chartered Accountant (CA) with Finance MBA and 13 years of experience in the field of corporate finance, banking, taxation, financial services and merger & acquisitions across South East Asia. 8 of these years he has been based in Singapore as the Finance Director of an Indian Listed corporate house overseeing the regional expansion in the field of logistics, mining and shipping. He has good hands on experience to raise funds by issue of convertible bonds and forming JV associations, launching capital market activities with US and Japanese firms.

PETER GUNN
Chief Technical Officer
Mr. Gunn, aged 61, is the Chief Technical Officer of the Company. He is instrumental in providing technical expertise in the areas of coal geology and coal mining.

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

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

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

CHAN CHI FAI DAVID
Financial Controller and Company Secretary
Mr. Chan, aged 48, has been appointed as the financial controller and company secretary of the Company since 2010. He has held directorships in a number of subsidiaries of the Company.

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

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

STEVE LUO
General Manager
Mr. Luo, aged 35, joined the Company in 2010 with over 8 years of experience in logistics management and large-scale operations execution.

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

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

DIYAH SASANTI
Legal Counsel
Ms. Sasanti, aged 47, joined the Company in 2010 with more than 20 years of experience in Corporate and Capital Markets law in Indonesia.

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

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

DONNY PRANOTO
Group Advisor
Mr. Donny Pranoto, aged 55, was appointed as Group Advisor of SEM, an indirect non-wholly owned subsidiary of the Company, in 2010.

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

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

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

SUKA WALUYA
Head of Mining Operations
Mr. Waluya, aged 51, is the Head of Mining Operations of SEM. Mr. Waluya is responsible for overseeing the day-to-day mining operations and mine planning for SEM. He supervises a team of geologists and works closely with the local community as well as the relevant authorities to ensure smooth daily operations.

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

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

ENVIRONMENTALLY RESPONSIBLE

Our company strongly believes in the philosophy of

CONTRIBUTING TO ENVIRONMENTAL PROTECTION

and we are constantly looking to improve our mining methods to be more environmentally responsible

OUR PRODUCT AND INTEGRATED SUPPLY CHAIN

OUR COAL MINE

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

Currently, only 1,200 hectares, or 60% of our 2,000 hectares concession has been explored and is under JORC review by DMT Geosciences Ltd. (that is formerly known as Associated Geosciences Limited). There is an estimated 117.9 million tonnes of reserves and 152.7 million tonnes of resources as at July 2012.

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

The relative ease of increasing production capacity has also resulted in a significant increase in coal production capacity at our mine since operations commenced in 2010. Within three years of operations, our production capacity has increased to approximately 2.8 million tonnes of coal per annum, and is on track to double to approximately 6 million tonnes by 2014/2015.

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

117.9 MILLION TONNES

of reserves for our entire concession of 2,000 hectares are explored and officially reported

OUR PRODUCT AND INTEGRATED SUPPLY CHAIN

JORC!

WHAT DOES MEETING JORC STANDARDS MEAN?

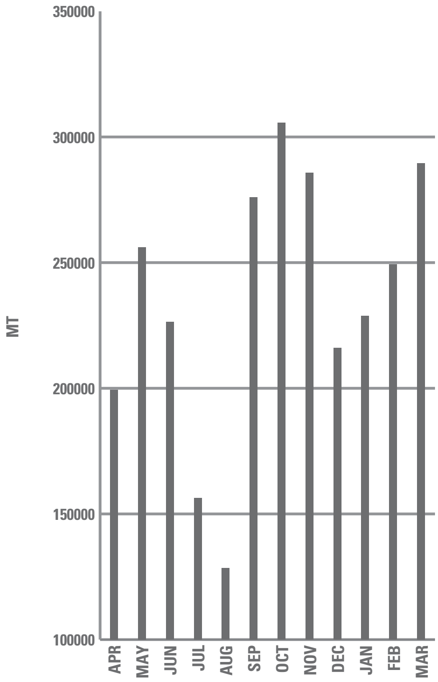
The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves was published in 2004 by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

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

MEETING JORC STANDARDS MEANS:

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

PRODUCTION (APR 2012 - MAR 2013)



COAL RESERVES AND PRODUCTION

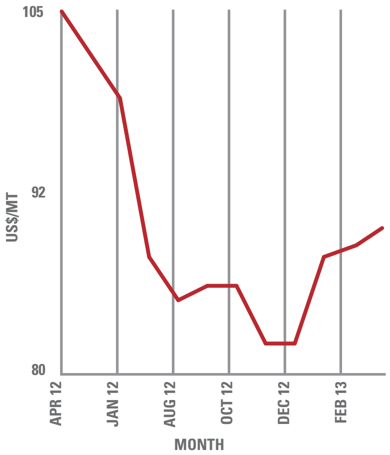
As per our latest JORC compliance report by DMT Geosciences Ltd. (formerly known as Associated Geosciences Limited) of 117.9 million tonnes, the same amount has been intimated to Stock Exchange. Currently, 1,200 hectares has been explored and the remaining 800 hectares is on progressive exploration.

Our SEM mine is estimated to contain 117.9 million tonnes of reserves as at July 2012 and is under JORC standard by independent coal consulting authority DMT Geosciences Ltd. (that is formerly known as Associated Geosciences Limited).

We have significantly increased coal production since commencing operations in 2010, growing our production capacity from 1.58 million tonnes in FY2012 to 2.8 million tonnes in FY2013. The management estimates that SEM shall further increase its production capacity up to a range between 3.5 – 4 million tonnes in the coming 12 months, and the production capacity of SEM will continue to increase steadily as the Company continue to grow.

In addition to our existing pit, we launched our second pit in 3Q of the financial year ended 31 March 2011 ("FY2011") and our third pit in 1Q of FY2012, which have low strip ratios. In 4Q FY2011, we began mining at our second pit, which has contributed to a higher monthly production rate of 180,000 tonnes since 4Q FY2012. It is expected that the production capacity of SEM will continue to increase steadily.

INDONESIAN COAL REFERENCE PRICE (HBA)



OUR PRODUCT

- Low-sulphur, low-pollutant thermal, sub-bituminous coal
- Our proprietary brand of coal, SEM coal, has gross calorific value of 3,800 kcal/kg (as received basis) in its raw form
- We sell SEM coal to domestic traders and power generation plants in Indonesia, and also serve major international markets such as China and India
- We are observing growing pockets of untapped demand for such ranks of coal, in line with rising energy costs and as power plants seek to manage cost structures all over the world, particularly in developing markets such as China, India and Thailand
- Since 2009, SEM coal has experienced stable price increases following increased market recognition and demand

PROPERTIES OF SEM COAL

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

SEM COAL

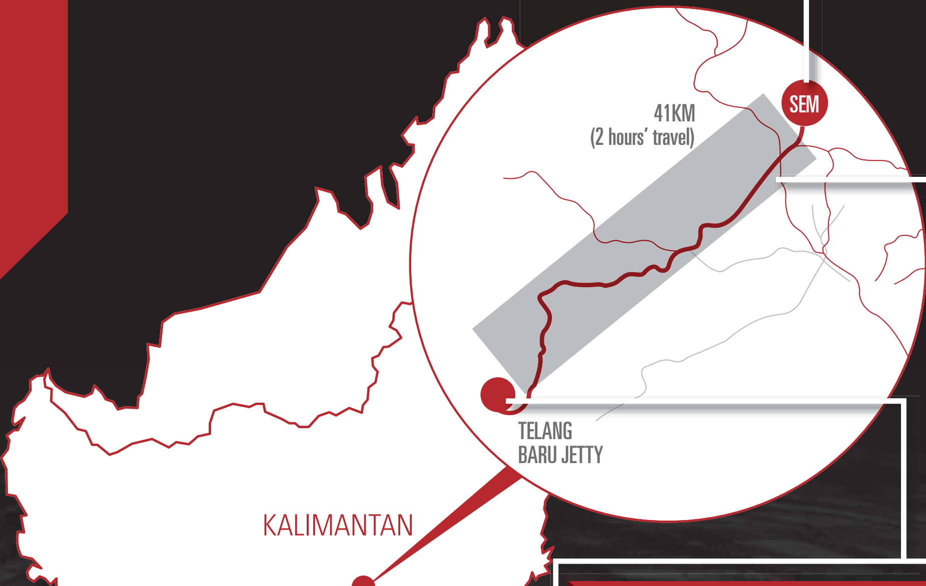
- SEM coal's ash contents of 4-6% is much lower than coal from China and India, where it typically exceeds 10-30%. A low ash content translates into cost savings on ash disposal and maintenance caused by pollution.
- SEM coal's sulphur content at 0.1-0.3% is significantly lower than coal from China and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

OUR INTEGRATED SUPPLY CHAIN

Overburden Removing and Coal Getting at SEM

- The coal is harvested using open-cut mining techniques.
- Only 1,200 hectares out of our 2,000 hectares concession has been explored under JORC review by DMT Geosciences Ltd..
- We are currently producing from three mine pits with low average strip ratios which enable easier access to coal, lower cost of mining and improved profitability.
- Our production is 7,700 tonnes/day and this is projected to reach 16,000 tonnes/day by 2014/2015.

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



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

Coal Crushing and Stockpiling at Telang Baru Jetty

Barge Loading at Telang Baru Jetty

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2013, the Group recorded a total turnover of approximately

HK$826 MILLION

(2012: HK$536 million), representing an increase of approximately 54.1% as compared to same period last year. Gross profit increased from HK$109.6 million to HK$212.5 million. The increase in turnover and gross profit were mainly due to the contribution in turnover and improvement of the average profit margin from the Group's mining operation.

The Group recorded a consolidated profit attributable to owners of the Company of approximately HK$53,470,000 as compared to a loss of HK$17,624,000 recorded in corresponding period in 2012. For the past two years, the Group has been establishing its mining business and rationalizing its non-core business, this translated into one-off gain from bargain purchase in 2011 and net loss from disposal/discontinue of business in current financial year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

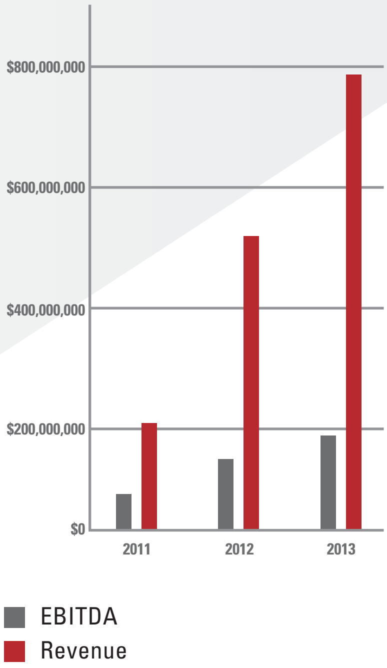
There was no material change in the Group's capital structure as compared to same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

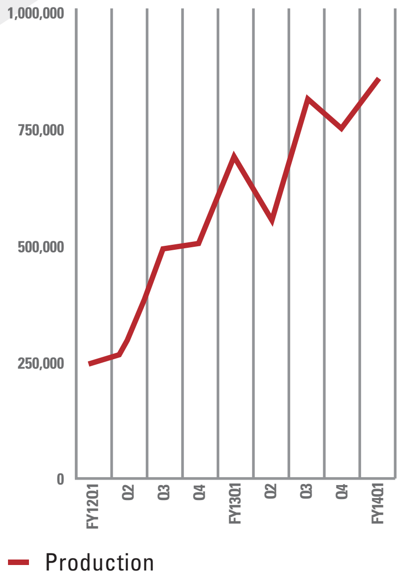
As at 31 March 2013, the Group's shareholders' equity amounted to HK$1,922,206,000, while total bank indebtedness amounted to approximately HK$80,714,000 and cash on hand amounted to approximately HK$16,287,000. The Group's bank indebtedness to equity ratio is 0.042. Current ratio is 1.1. The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

As at 31 March 2013, the Group had financial assets at fair value through profit or loss of approximately HK$Nil (2012: HK$19,000).

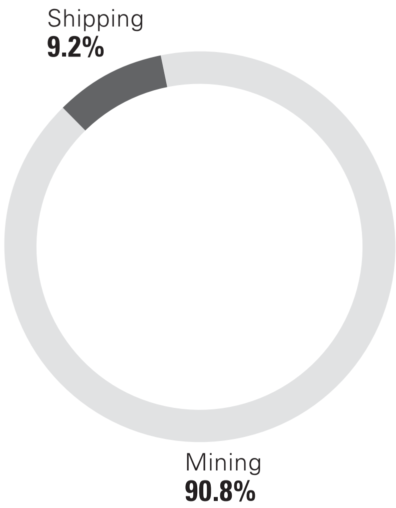
YEAR 2011-2013



QUARTERLY PRODUCTION



CONTINUOUS OPERATING CONTRIBUTION



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

PLEDGE OF ASSETS

As at 31 March 2013, building with a net carrying value amount of approximately HK$Nil (2012: HK$ 6,717,000) and other property, plant and equipment items with an aggregate net carrying amount of HK$23,024,000 (2012: HK$27,508,000) were pledged to banks as securities for general banking facilities granted to the Group.

OPERATIONAL REVIEW

In line with our sharpened business focus as a coal mining company, Agritrade in FY2013 dedicated efforts to streamlining operations and growing the coal mining business further. Over the past two years, the Company implemented various measures including securing off-take agreements, divesting non-core assets, as well as stepping up ongoing efforts to enhance infrastructure and production processes to drive sustainable long term growth.

MINING BUSINESS

The mining business segment is principally engaged in the production, processing, transportation and marketing of its own brand of SEM coal, a sub-bituminous, low-sulphur, low-pollutant thermal coal from our mining concession, SEM. For FY2013, the segment contributed HK$685 million in turnover and HK$144 million in profit.

The coal market in Indonesia in FY2013 witnessed stable rebound after an adjustment in the second quarter of 2012 in the period under review. In April 2013, the APBI forecasted that Indonesia's coal production should hit 400 million tons in year 2013, an increase of 4.4% from 2012. The APBI foresee the growth will be spurred by increased demand from Japan, South Korea, Thailand and Taiwan and the Indonesia coal price is expected to increase accordingly in the second half of 2013.

The APBI also noted that the Indonesian coal export's trend over the last five years was shifting from bituminous coal with heating content ranged between 5,000 kilocalories per kilogram ("**kcal/kg**") to 5,500 kcal/kg, to sub-bituminous coal with a heating content ranged between 3,800 kcal/kg to 4,200 kcal/kg. This represents that the Indonesian coal export trend is shifting to the sub-bituminous coal and the international coal buyers are now able to take sub-bituminous coal from Indonesia. Such trends are also reflected by the increase of SEM's coal production and sales and the Company believes this will further favor the Group's development in the Indonesian sub-bituminous coal segment.

The growing demand of Indonesian sub-bituminous coal supports SEM's continuous increase in production capacity from 300,000 tonnes in FY2011 to 1.5 million tonnes in FY2012, and reaching 2.8 million tonnes in FY2013. The significant increase of production capacity was mainly achieved by (i) improvement of logistics, (ii) enhancing the production infrastructure, such as increased number of hauling trucks and heavy

Production capacity at the Company's SEM mine has increased exponentially since operations commenced in February 2010, increasing **NINE-FOLD** to

2.8 MILLION TONNES

in FY2013

mining equipment, (iii) expansion of coal stockpile areas, (iv) increase in the barge berthing slots coupled with enhanced loading facilities at the jetty and (v) increase of coal production pit.

To further improve the logistics certainty and efficiency, during the period under review, the Company had entered the road leasing agreement with Pertamina and has been granted the exclusive using right of Pertamina Road for a term of 10 years.

The exclusive using right of Pertamina Road enable SEM to have a reliable and smooth transportation even during the rainy seasons. After entering into the road leasing agreement in October 2012, the monthly production capacity of the SEM mine has increased from an average of 180,000 tonnes to 240,000 tonnes. The management estimates that SEM shall further increase its production capacity up to a range between 3.5 to 4 million tonnes in the coming 12 months.

Strong demand for thermal coal in Indonesia and Asia and SEM's increasing coal production capacity and logistic efficiency has resulted in the Company recording HK$685 million in turnover from coal supply, generated from approximately 2.8 million tonnes of coal sold during FY2013. This is compared to a turnover of HK$427 million from 1.5 million tonnes of coal in FY2012, an increase of approximately 60.4%.

The Company has started building its own coal upgrading facility, which targets to process and upgrade SEM coal into a higher quality coal with increased calorific value and lower moisture levels. This coal upgrading facility using GEO-COAL™ technology was originally targeted to be completed and commissioned commercially on last quarter of 2013, where we can expect increased profit margins in SEM coal after upgrading.

SHIPPING BUSINESS

The shipping segment recorded net revenue of approximately HK$15.6 million, which arose from the total time chartering income HK$76.2 million minus the total time chartering cost HK$60.6 million and generated HK$14.6 million of profit in FY2013. The turnover of the shipping segment is mainly representing the time chartering, and which is mainly contributed by the increase of the logistics demand from Indonesia, as the mining and resource operation of Indonesia is continuously under stable growth. The Company estimates the contribution of the shipping and logistics operation from Indonesia will continuously benefit the Group by providing stable income sources. As the global shipping and logistics segment is facing a structural change, the market is subject to challenges and also has new opportunities appearing at the same time, and thus the Group will closely review the market development of this sector and seek for the best opportunities for the Company.

TEXTILE BUSINESS

As the production cost such as cost for dyed material, electricity and wages in China is continuously surging, profit margins of the garment segment were continuously narrowed. During the period under review, the Company disposed Sinoplex Limited, a wholly-owned subsidiary of the Group, with its core business in manufacturing, sales and trading of fabrics ("**Textile Disposal**"). The Textile Disposal was completed in January 2013 which resulted in a one-off gain of HK$8.1 million to the Group. After the Textile Disposal, the Group does not engaging in any material operation in the textile related operation and this is mainly as a response to the challenges due to the slump in the textile industry and is in line with the Company's strategy to focus on the coal mining business.

MAJOR EVENTS

CONTINUING CONNECTED TRANSACTION WITH AGRITRADE INTERNATIONAL

On 4 June 2012, SEM, a non-wholly owned subsidiary of the Company entered into an Off-take agreement with AIPL to supply up to 400,000 tonnes of coal annually for the next three years. As AIPL is the major shareholder of the Company, the transaction contemplated under the Off-take agreement constitutes a continuous connected transaction.

During the year, total sales of coal to AIPL is approximately 158,000 metric tonnes.

DISPOSAL OF DISCONTINUOUS TEXTILE OPERATION

The Company recorded a one-off disposal gain from the disposal of subsidiaries of approximately HK$8.1 million. The net proceeds which include waiver of debt amounting to approximately HK$6.7 million, are intended to be applied as general working capital and acquisition funding if and when suitable opportunities arise.

Save as disclosed above, there were no other material acquisitions and disposals during the year.

CLEAN AND CLEAR STATUS

During the year, SEM was awarded a Clean and Clear mining permit status by the Directorate General of Minerals and Coal of Indonesia's Energy and Mineral Resources Ministry. In Indonesia, mine permits are awarded Clean and Clear status only if the mine areas they cover have complete documents and do not overlap with other mining concessions. It has been reported by the Directorate General of Minerals and Coal that out of the 10,739 mining permits (IUPs) issued by local governments up till 30 March 2013, only 5,174 permits have the Clean and Clear status. The Company is very proud of this status of our SEM mine.

STAFF AND REMUNERATION POLICIES

As at 31 March 2013, the Group had approximately 262 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

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

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

GROWTH STRATEGY AND OUTLOOK

OUR GROWTH STRATEGY

The Company plans to achieve growth through capacity increases, market expansion and research & development. In order to fulfill these goals, the Company will continuously strive for the following:-

- **Increase production capacity and continuous cost reduction**
  The Company's mining management continues working closely with mining experts and technical consultants to plan, model and strategize our mining operations to maximize production capacity and efficiency. To ensure that it can cope with an increased production rate, the Company will also upgrade existing logistics and infrastructure facilities such as getting the exclusive right to use the Pertamina Road, improving the capacity and efficiency of the stockpiles, jetty and loading facilities. The Company believes the capital investment in those enhancements would increase the efficiency in coal getting and transportation. Despite the diminishing prevailing market price which result in the margin assumption is very competitive, hence the group is committed to manage the cost by applying marginal costing, cost reduction, cost re-engineering and other efficient economic mine model so as to reduce the overall cost to add to the bottom line.

- **Build upon our strong base of domestic and international customers in top coal markets**
  The Company has established strong sales and marketing capabilities within the domestic Indonesian market and fast growing international market to tap on the increasing demand for coal in Asia. The Group had successfully built our coal distribution network rapidly by leveraging on the Group's substantial shareholder, AIPL's 30 years of commodities trading experience and wide network of international clientele. In the upcoming future, the Group plans to continue expanding both our domestic and international customer's base and promote the branding of SEM coal in the international coal market.

- **Add greater value to our coal**
  Under our joint development with PT Total Sinergy International ("**TSI**") on the building of SEM's coal upgrading facility, construction at the mine site is still ongoing. The plant is expected to be completed by Q4 in 2013. This coal upgrading facility is targeted to have a processing capacity of 500,000MT of upgraded SEM coal per annum. This facility, utilizing worldwide patent-pending GEO-COAL™ technology, targets to produce a higher quality, cleaner burning coal whilst retaining SEM coal's low pollutant properties. This would provide a new coal product for the Company, along with access to customers and markets around the world with higher rank coal demands coming from countries such as Japan and Korea. Besides increasing the quality of SEM coal, the reduction in moisture also reduces handling and transportation costs substantially. More importantly, the selling price of this upgraded coal will command a higher profit margin for the Company.

GROWTH STRATEGY AND OUTLOOK

- **Advance the exploration of SEM deposits**

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

  The JORC statement prepared by DMT Geosciences Ltd. (that is formerly known as Associated Geosciences Limited) (set out in the Company's announcement dated 13 November 2012) demonstrated a significant increase of total open-cut coal reserves of the SEM mine, from 41 million tonnes to 117.9 million tonnes with an increase of 187.6% and the resources of the mine also increased from 78.3 million tonnes to 152.7 million tonnes with an increase of 95.0%.

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

COAL RESOURCES AND RESERVES REPORT

		As at 31 October 2010	As at 31 July 2012	Change in %	Reason of change
Coal Resources (in million tonnes)	Measured	26.7	86.61	Increased 224.38%	Additional exploration and new geological model
	Indicated	35.6	51.26	Increased 43.99%	
	Inferred	16.0	14.83	Decreased 7.31%	
	Total	78.3	152.70	Increased 95.02%	
Total Open Cut Coal Reserves (in million tonnes)	Proved	0	83.38	Increased	Additional exploration and new geological model
	Probable	41	34.47	Decreased 15.93%	
	Total	41	117.85	Increased 187.44%	

- **Market demand**

  Despite the down-turn in the global economy, the long-term demand for thermal coal in Asia still remains robust, especially in those developing countries such as Indonesia, India and other South East Asian countries. In particular, the total coal production in Indonesia is expected to be 400 million tonnes in 2013, a 4% increase from 2012's figures. In addition, China and India continue to be the largest importers of Indonesian coal, taking first and second place respectively since 2009. India's Ministry of Coal expects that India's coal demand may experience an annual rise of 41% during the next 5 years, while its coal deficit is expected to double to 265 million tonnes in the 2016/17 fiscal year from the current level of around 137 million tonnes. The Company believes the enormous market demand and the Indonesian domestic market will continue to be the key growth drivers for SEM coal products.

In 2012, Indonesia exported 304 million tonnes of coal, while the world's five largest importers were China, South Korea, India, Japan and Taiwan. The strong growth of thermal coal demand in these export markets is mainly due to the rapid increase of their energy consumption. India and China are importing and utilizing increasing volumes of lower rank coal, while Korea, Thailand and Philippines are starting to seek alternative lower grade coal. Indonesia, with its rich natural resources, is in an excellent position to capitalize on the demand from these emerging markets.

- **Upgrade SEM coal**

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

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

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

RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT

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

Adverse Weather Conditions

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

Logistics Risk

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

Market Risk

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

FINANCIAL RISK MANAGEMENT

The Company deals in a variety of financial instruments which are exposed to financial risks, including market risk, credit risk and liquidity risk. The management closely monitors and manages the Company's exposure and implement appropriate measures to mitigate and alleviate these risks. For more details, please refer to page 108 to 111.

CAPITAL RISK MANAGEMENT

The Company manages our capital and makes adjustments to our capital structure according to changing economic conditions to ensure we will be able to continue as a going concern, while maximising returns to our shareholders. For more details, please refer to page 111.

CORPORATE SOCIAL RESPONSIBILITY

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

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

INVESTOR RELATIONS

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

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

CORPORATE WEBSITE

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

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

ANNOUNCEMENT OF FINANCIAL RESULTS

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

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

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

CORPORATE LITERATURE

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

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

IN FY2013, we made encouraging strides towards strengthening our communications platform alongside our rejuvenated business focus as a coal mining company

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

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

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

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

ANNUAL GENERAL MEETING

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

MEETINGS, CONFERENCE CALLS AND SITE VISITS

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

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Rashid Bin Maidin
(Chief Executive Officer)
Mr. Ng Xinwei
(Chief Operating Officer)
Ms. Lim Beng Kim, Lulu
Mr. Shiu Shu Ming

Non-executive Director
Mrs. Chen Chou Mei Mei

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

COMPANY SECRETARY

Chan Chi Fai, David

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGIONAL OFFICE

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

AUDITOR

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

SOLICITORS

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

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group
(Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Citibank N.A.
PT. CIMB Niaga Tbk
PT. Bank Central Asia

WEBSITE

www.agritraderesources.com

STOCK CODE

1131.HK

COMPLIANCE CONTENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are mining, exploration, logistics, sale of coal and other mining-related activities and shipping freight management service from time chartering of vessels for and on behalf of customers.

RESULTS

The results of the Group for the year ended 31 March 2013 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on page 50 to 111 of the annual report.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 112. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, CONVERTIBLE PREFERENCE SHARES AND CONVERTIBLE BONDS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to members at 31 March 2013 amounted to HK$37,528,000 (2012: HK$39,143,000), which comprised contributed surplus of HK$30,748,000 (2012: HK$153,400,000) and profit of HK$6,780,000 (2012: deficit HK$114,257,000).

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

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

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

DIRECTORS

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

Executive directors:

Mr. Rashid Bin Maidin	(Chief Executive Officer)
Mr. Ng Xinwei	(Chief Operating Officer)
Ms. Lim Beng Kim, Lulu	
Mr. Shiu Shu Ming	
Mr. Li Man Ching	(retired on 27 August 2012)
Ms. Li Mei Lin	(retired on 27 August 2012)

Non-executive director:

Mrs. Chen Chou Mei Mei

Independent non-executive directors:

Mr. Chong Lee Chang
Mr. Chan Cheong Yee
Mr. Siu Kin Wai

In accordance with Articles 101 and 110(A) of the Company's Bye-laws, Mr. Rashid Bin Maidin, Mr. Ng Xinwei and Mr. Siu Kin Wai shall retire at the forthcoming annual general meeting. Mr. Rashid Bin Maidin, Mr. Ng Xinwei and Mr. Siu Kin Wai shall offer themselves for re-election.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

Mrs. Chen Chou Mei Mei, Mr. Chong Lee Chang and Mr. Chan Cheong Yee have entered into service contracts with the Company for a period of three years commencing from 25 June 2013. Mr. Siu Kin Wai has entered into a service contract with the Company for a period of three years commencing from 24 August 2010. All their appointments are subject to the retire requirement according to the Company's Bye-laws and shall continue thereafter, subject to termination by either party giving at least one months' prior notice to the other party.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT (CONT'D)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

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

Long position

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

Note:

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

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

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

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

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

Save as disclosed above, as at 31 March 2013, none of the Directors, the chief executives and their associates had any personal, family, corporate or other interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings described in note 36 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 4 June 2012, SEM, a non-wholly owned subsidiary of the Company entered into the coal supply agreement with AIPL, pursuant to which SEM agreed to supply and AIPL agreed to purchase 400,000 tonnes of coal annually.

As AIPL holds 174,000,000 ordinary share of the Company, representing approximately 29.81% of the issued share capital of the Company, AIPL is a substantial shareholder and hence a connected person of the Company. Accordingly, the transactions under the coal supply agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to the reporting and announcement requirements, independent shareholders' approval requirement and annual review requirements pursuant to Rule 14A.35 of the Listing Rules. An announcement was made by the Company on 4 June 2012 in this respect.

Mr. Ng Xinwei, director of the Company, is the son of Mr. Ng Say Pek and Ms. Lim Chek Hwee (spouse of Mr. Ng Say Pek) who holds 80% and 20% equity interests in AIPL respectively, and Ms. Lim Beng Kim, Lulu, director of the Company, is also the senior executive of AIPL.

Save as disclosed above, as at 31 March 2013, no contract of significance in relation to the Company's business, to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT (CONT'D)

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013 and so far as is known to the Board and according to the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of the SFO, the following persons or corporations (other than the Directors of the Company) has interest of 5% or more of the nominal value of the issued share capital that carry a right to vote in all circumstances at general meetings of the Company:

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

Note:

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

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

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

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

SHARE OPTION SCHEME

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

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

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

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

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

EMOLUMENT POLICY

As at 31 March 2013, the Group had approximately 262 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

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

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

COMPETING INTERESTS

During the year, and up to the date of this report, the following Directors were considered to have an interest in a business which competes or likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, details of which are set out below:

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

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

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

Save as disclosed above, as at 31 March 2013, none of the Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' REPORT (CONT'D)

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	58%	
Five largest customers in aggregate	79%	
The largest supplier		20%
Five largest suppliers in aggregate		35%

Save as disclosed in note 38 to the financial statement, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2013.

AUDITOR

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

On behalf of the Board

Rashid Bin Maidin
Director and Chief Executive Officer
Hong Kong, 28 June 2013

CORPORATE GOVERNANCE REPORT

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

The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has fully complied with all the provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the Year.

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board

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

Board Composition

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

Independent Non-executive Directors

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

Chairman and Chief Executive Officer

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

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

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

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

Directors' Insurance

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

CORPORATE GOVERNANCE REPORT (CONT'D)

Directors' Attendance and Time Commitment

The attendance of the Directors at the meetings during the year are set out below:

Directors	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
(number of meetings attended/number of meetings held during respective director's tenure)					
Executive Directors:					
Mr. Rashid Bin Maidin *(Chief Executive Officer)*	7/11	0/0			
Mr. Ng Xinwei *(Chief Operating Officer)*	6/11	0/0			
Ms. Lim Beng Kim, Lulu	5/11	0/0			
Mr. Shiu Shu Ming	9/11	0/0		1/1	1/1
Mr. Li Man Ching (retired on 27 Aug 2012)	0/5				
Ms. Li Mei Lin (retired on 27 Aug 2012)	1/5				
Non-executive Director:					
Mrs. Chen Chou Mei Mei	5/11				
Independent Non-executive Directors:					
Mr. Chong Lee Chang	5/11		3/3		1/1
Mr. Chan Cheong Yee	2/11		1/3	1/1	
Mr. Siu Kin Wai	6/11		3/3	1/1	1/1

Board Meetings and Proceedings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, considering major issues and approving the overall strategies of the Company. The Board met 11 times during the year ended 31 March 2013. Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to keep the Directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary. The views of Directors were actively solicited if they were unable to attend the meeting of the Board.

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

BOARD COMMITTEES

As an integral part of good corporate governance, the Board of Directors has established the following committees whose authority, functions, composition and duties of each of the committees are set out below:

1. **Executive Committee**

   The Executive Committee is the decision-making body for day-to-day operation of the Group which currently comprises Mr. Rashid Bin Maidin, Mr. Ng Xinwei, Ms. Lim Beng Kim, Lulu and Mr. Shiu Shu Ming. Mr. Rashid Bin Maidin is the Chairman of the Executive Committee. Its main duties include performing duties delegated by the Board of Directors and exercising the authorities and rights authorised by the same pursuant to the written guidelines.

2. **Remuneration Committee**

   The Remuneration Committee currently has three members, namely, Mr. Shiu Shu Ming, Mr. Chan Cheong Yee (Chairman) and Mr. Siu Kin Wai. Except for Mr. Shiu Shu Ming, the rest are all independent non-executive Directors.

   Written terms of reference have been adopted by the Board of Directors in compliance with the Listing Rules and are available on both the Company's and the Stock Exchange's websites. The functions of the Remuneration Committee include, among other things:

   (a) making recommendations to the Board of Directors of the Company's policy and structure for remuneration of the Directors and senior management;

   (b) establishing a formal and transparent procedure for developing policy on remuneration; and

   (c) making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior management; and the remuneration of non-executive Directors.

   The remuneration of all Directors and their respective interest in share options are set out in Note 11 to the consolidated financial statements and under the "Share Options" paragraph in the Report of the Directors of this annual report.

   During the year, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company. It has also reviewed the specific remuneration packages including the terms of employment and performance-based bonus of the Directors and senior management of the Company and offered recommendations on the same to the Board of Directors.

3. **Nomination Committee**

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

   A summary of the work performed by the Nomination Committee during the year is set out as follows:

   i. reviewed structure, size and composition of the Board;

   ii. reviewed the independence of INEDs; and

   iii. review terms of reference of the Committee.

CORPORATE GOVERNANCE REPORT (CONT'D)

4. Audit Committee

The audit committee comprise of all three independent non-executive Directors, namely Mr. Siu Kin Wai (Chairman), Mr. Chong Lee Chang and Mr. Chan Cheong Yee.

Written terms of reference have been adopted by the Board of Directors in compliance with the Listing Rules and are available on both the Company's and the Stock Exchange's websites.

The roles and functions of the Audit Committee include, among other things:

(a) acting as the key representative body for overseeing the relationship with the Company's external auditor;

(b) making recommendations to the Board of Directors on the appointment, re-appointment and removal of the external auditor;

(c) reviewing the financial information of the Group including monitoring the integrity of the Group's financial statements, annual report and accounts, half-year report and reviewing significant financial reporting judgments contained therein; and

(d) overseeing the Group's financial reporting system and internal control procedures.

During the year, the Audit Committee has regularly met with the management and the external auditor and reviewed and made recommendations to the following matters:

(a) reviewed the audited financial statements for the year ended 31st March 2013 and the interim report for the six months ended 30th September 2012;

(b) reviewed and considered the report from the external auditor on the audit of the Group's financial statements;

(c) made recommendations to the Board for the appointment of the external auditor and reviewed the proposed audit fees for the year ended 31st March 2013;

(d) reviewed the external auditor's audit plan, audit strategy and scope of work for the year under review;

(e) reviewed the continuing connected transactions entered into by the Group.

AUDITORS' REMUNERATION

During the year, the audit fees charged to the accounts is HK$1,227,000. The auditor of the Company also provide non-audit services with fees of HK$20,000 for the year.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities to prepare the accounts of the Group and other financial disclosures in accordance with statutory requirements and applicable accounting standards. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 48 to 49 of this annual report.

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors were fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the year, all Directors had attended various seminars, conferences, or forums which were relevant to their respective duties and responsibilities or the businesses of the Company.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and reports to the Board of Directors and the Chief Executive Officer. He is responsible for advising the Board of Directors on governance matters. During the year under review, the Company Secretary has complied with the professional training requirements under the CG Code.

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 27 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rules. The amendments were disclosed in detail on page 5 of the Company's circular to shareholders published on 27 July 2012.

An updated version of the Bye-laws of the Company is available on the website of the Company and the Stock Exchange.

DIRECTORS' SECURITIES TRANSACTION

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

CORPORATE GOVERNANCE REPORT (CONT'D)

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. The Company had established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders mainly in the following ways:

(i) the holding of annual general meetings and special general meetings, if any, which may be convened for specific purposes which provide opportunities for the shareholders to communicate directly with the Board;

(ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group;

(iii) the availability of latest information of the Group in the Company's website at www.agritraderesources.com; and

(iv) the holding of press conference from time to time.

SHAREHOLDERS' RIGHTS

Convening an Special General Meeting (the "SGM") by Shareholders

Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board. The written requisition (i) must state object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the principal office of the Company for the attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists.

If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Putting Forward Proposals at General Meetings

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the principal office of the Company, an annual general meeting is called for a date six weeks or less after the copy has been deposited, such requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

FINANCIAL CONTENTS

INDEPENDENT AUDITOR'S REPORT

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香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Agritrade Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 111, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

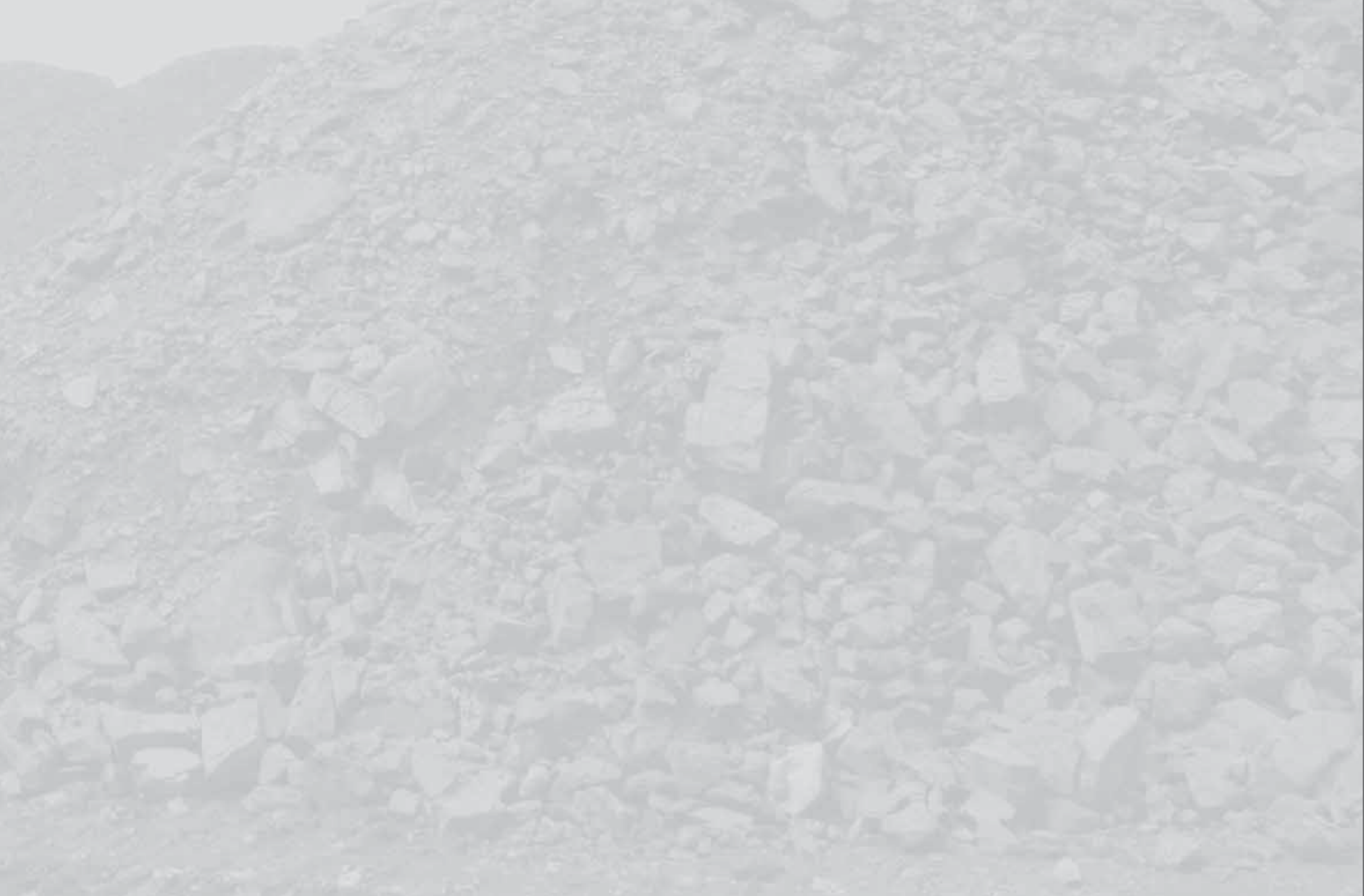
OPINION

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

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 28 June 2013



CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	7	700,891	427,225
Cost of sales and services		(494,994)	(329,204)
Gross profit		205,897	98,021
Other income and other gains and losses	8	4,017	165
Administrative expenses		(37,663)	(20,878)
Finance costs	13	(45,102)	(33,273)
Profit before income tax		127,149	44,035
Income tax	14	(38,982)	(20,812)
Profit for the year from continuing operations		88,167	23,223
Discontinued operations			
Profit/(loss) for the year from discontinued operations	16	659	(21,060)
Profit for the year	9	88,826	2,163
Profit/(loss) for the year attributable to:			
– Owners of the Company	15	53,470	(17,624)
– Non-controlling interests		35,356	19,787
		88,826	2,163
Earnings/(loss) per share from continuing and discontinued operations	17		
– Basic and diluted		HK9.1 cents	HK(3.0) cents
Earnings per share from continuing operations	17		
– Basic and diluted		HK9.0 cents	HK0.6 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Profit for the year		88,826	2,163
Other comprehensive income:			
Reclassification adjustment of translation reserve upon disposal of subsidiaries	39	–	(18,396)
Exchange differences arising on translation of foreign operations		374	(97,045)
Total comprehensive income for the year		89,200	(113,278)
Total comprehensive income for the year attributable to:			
– Owners of the Company		53,967	(91,046)
– Non-controlling interests		35,233	(22,232)
		89,200	(113,278)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	18	2,685,166	2,692,013	2,796,509
Customer base	19	–	–	1,237
Prepaid lease payments	20	10,283	6,427	1,999
Prepayments for land use rights		–	–	567
Deposits paid for construction of a plant	21	29,135	21,395	–
		2,724,584	2,719,835	2,800,312
Current assets				
Inventories	22	14,326	68,171	70,759
Trade receivables	23	219,115	32,728	8,497
Other receivables, deposits and prepayments	23	192,459	40,457	11,125
Bills receivable	23	76	2,070	530
Amounts due from related parties	38(b)	58,502	83,743	13,561
Financial assets at fair value through profit or loss	25	–	19	1,162
Bank balances and cash	24	16,287	21,975	57,316
		500,765	249,163	162,950
Non-current asset held for sale		–	–	6,713
		500,765	249,163	169,663
Current liabilities				
Sales deposits received	26	6,942	25,401	6,808
Trade payables	26	98,397	45,831	8,214
Other payables and accruals	26	129,154	52,334	25,637
Bills payable	26	–	4,419	12,924
Provision for close down, restoration and environmental costs	26	3,958	1,653	1,440
Secured bank borrowings	27	74,638	10,107	–
Amounts due to related parties	38(b)	2,433	12,915	18,200
Tax payable		78,237	37,244	5,694
Obligation under finance leases	34	60,049	44,672	18,225
		453,808	234,576	97,142
Net current assets		46,957	14,587	72,521
Total assets less current liabilities		2,771,541	2,734,422	2,872,833

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
Non-current liabilities				
Deferred tax	28	597,197	603,682	647,605
Secured bank borrowings	27	6,076	15,308	–
Convertible bonds	29	177,818	157,991	140,326
Promissory notes	30	–	47,858	110,211
Obligation under finance leases	34	46,285	69,475	28,883
Amounts due to related parties	38(b)	21,959	7,578	–
		849,335	901,892	927,025
Net assets		1,922,206	1,832,530	1,945,808
Capital and reserves attributable to owners of the Company				
Share capital	31	58,371	58,371	58,371
Reserves		996,532	942,089	1,033,135
Equity attributable to owners of the Company		1,054,903	1,000,460	1,091,506
Non-controlling interests		867,303	832,070	854,302
Total equity		1,922,206	1,832,530	1,945,808

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2013.

Rashid Bin Maidin
Director

Ng Xinwei
Director

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	37	2	23,126
Deposits paid for construction of a plant	21	29,135	21,395
		29,137	44,521
Current assets			
Prepayment		8	–
Amounts due from subsidiaries	37	1,056,508	1,072,495
Bank balances and cash	24	61	87
		1,056,577	1,072,582
Current liabilities			
Accruals and other payables		2,338	3,108
Amounts due to subsidiaries	37	25,450	26,899
		27,788	30,007
Net current assets		1,028,789	1,042,575
Total assets less current liabilities		1,057,926	1,087,096
Non-current liabilities			
Convertible bonds	29	177,818	157,991
Promissory notes	30	–	47,858
		177,818	205,849
Net assets		880,108	881,247
Capital and reserves			
Share capital	31	58,371	58,371
Reserves	33	821,737	822,876
		880,108	881,247

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2013.

Rashid Bin Maidin
Director

Ng Xinwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Convertible preference shares reserve HK$'000 (Note (iii))	Convertible bonds equity reserve HK$'000 (Note (iii))	Translation reserve HK$'000 (Note (iv))	Share option reserve HK$'000 (Note (v))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	58,371	335,108	122,652	248,579	194,492	95,264	6,094	30,946	1,091,506	854,302	1,945,808
Profit/(loss) for the year	–	–	–	–	–	–	–	(17,624)	(17,624)	19,787	2,163
Other comprehensive income for the year:											
Reclassification adjustment of translation reserve upon disposal of subsidiaries	–	–	–	–	–	(18,396)	–	–	(18,396)	–	(18,396)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(55,026)	–	–	(55,026)	(42,019)	(97,045)
Total comprehensive income for the year	–	–	–	–	–	(73,422)	–	(17,624)	(91,046)	(22,232)	(113,278)
Release of share option reserve upon lapse of share options	–	–	–	–	–	–	(540)	540	–	–	–
At 31 March 2012	58,371	335,108	122,652	248,579	194,492	21,842	5,554	13,862	1,000,460	832,070	1,832,530
Transfer of reserves	–	–	(122,652)	–	–	–	–	122,652	–	–	–
Profit for the year	–	–	–	–	–	–	–	53,470	53,470	35,356	88,826
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	497	–	–	497	(123)	374
Total comprehensive income for the year	–	–	–	–	–	497	–	53,470	53,967	35,233	89,200
Share-based payment (Note 36)	–	–	–	–	–	–	476	–	476	–	476
At 31 March 2013	58,371	335,108	–	248,579	194,492	22,339	6,030	189,984	1,054,903	867,303	1,922,206

Notes:

(i) Share premium

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

(ii) Contributed surplus

The Group's balance represents the credit arising from a previous capital reduction exercise. The directors are of the opinion, with reference to legal opinion from the legal counsel, that contributed surplus of the Group are distributable in accordance with section 54 of the Companies Act 1981 of Bermuda.

(iii) Convertible preference shares reserve and convertible bonds equity reserve

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

(iv) Translation reserve

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

(v) Share option reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before income tax from continuing operations	127,149	44,035
Profit/(loss) before income tax from discontinued operations	659	(21,365)
	127,808	22,670
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	90,525	99,859
Release of prepaid lease payments	623	62
Write-off of customer base	–	508
Amortisation of customer base	–	736
Dividend income from investments held for trading	–	(1)
Provision for close down, restoration and environmental costs	2,402	624
Loss on disposal of property, plant and equipment	–	25,737
Gain on disposal of asset classified as held for sale	–	(693)
Impairment loss on trade receivables	–	152
Loss on fair value changes on financial assets at fair value through profit or loss	–	193
Interest income	(55)	(436)
Write-off of property, plant and equipment	–	409
Finance costs	45,102	36,067
Share-based payment expenses	476	–
Gain on disposal of subsidiaries	(8,127)	(14,122)
Operating cash flows before movements in working capital	258,754	171,765
Decrease in inventories	21,371	859
Increase in trade and other receivables, deposits and prepayments	(359,090)	(56,919)
Decrease/(increase) in bills receivable	1,994	(1,540)
Decrease/(increase) in amounts due from related parties	25,241	(70,182)
Increase in trade and other payables and accruals	159,969	77,306
Increase/(decrease) in bills payable	1,678	(8,505)
(Decrease)/increase in sales deposits received	(18,459)	18,593
Increase in amounts due to related parties	3,899	1,407
Settlement of provision for close down, restoration and environmental costs	–	(154)
Effect of foreign exchange rate changes	843	7,062
Cash generated from operations	96,200	139,692
Income taxes paid	(765)	(2,056)
Interest paid	(23,133)	(7,569)
Net cash generated from operating activities	72,302	130,067

	2013 HK$'000	2012 HK$'000
Investing activities		
Disposal of subsidiaries	(12,992)	(27,455)
Proceeds on disposal of property, plant and equipment	–	27,931
Proceeds on disposal of assets classified as held for sale	–	7,406
Interest received	55	436
Dividend income from investments held for trading	–	1
Purchases of property, plant and equipment	(92,473)	(227,380)
Addition in prepaid lease payments	(4,479)	(3,923)
Deposits paid for construction of a plant	(7,740)	(21,395)
Net cash used in investing activities	(117,629)	(244,379)
Financing activities		
New bank borrowings raised/(repayment of bank borrowings)	55,299	25,415
(Repayment of)/addition in obligation under financial leases	(7,813)	73,856
Redemption of principal and settlement of interest expenses of promissory notes	(7,850)	(20,000)
Net cash generated from financing activities	39,636	79,271
Net decrease in cash and cash equivalents	(5,691)	(35,041)
Cash and cash equivalents at beginning of the year	21,975	57,316
Effect of foreign exchange rate changes	3	(300)
Cash and cash equivalents at end of the year, representing bank balances and cash	16,287	21,975

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

1. GENERAL

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN ACCOUNTING POLICY

(a) Adoption of amendment to HKFRSs – first effective on 1 April 2012

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN ACCOUNTING POLICY (Cont'd)

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRSs. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendment clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment needs to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN ACCOUNTING POLICY (Cont'd)

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

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

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

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

HKFRS 10 – Consolidated Financial Statements

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN ACCOUNTING POLICY (Cont'd)

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

HKFRS 12 – Disclosure of Interests in Other Entities

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

HKFRS 13 – Fair Value Measurement

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

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

(c) Change in accounting policy

In prior years, the Group presented its property, plant and equipment and the mining property separately on the consolidated statement of financial position of the Group. During the year, the Group reclassified the mining property of the Group into property, plant and equipment. In the opinion of the directors, it is more appropriate to make the reclassification to align with presentations adopted by companies in the industry. This change in accounting policy has been applied retrospectively in accordance with the HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the comparative figures have been restated. Accordingly, a third statement of financial position as at 1 April 2011 has been presented. The reclassification on the consolidated financial statements has no impact on the consolidated income statements for the years ended 31 March 2013 and 2012 or the carrying amounts of non-current assets, net assets and reserves as at 31 March 2013, 31 March 2012 and 1 April 2011. The restated carrying values of the property, plant and equipment of the Group are as follows:

	31 March 2013 HK$'000	31 March 2012 HK$'000	1 April 2011 HK$'000
Carrying values:			
Property, plant and equipment	271,282	251,642	178,515
Mining property	2,413,884	2,440,371	2,617,994
Restated carrying values of property, plant and equipment	2,685,166	2,692,013	2,796,509

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

In prior years, the directors of the Company regarded Indonesian Rupiah ("IDR") as the functional currency of the subsidiaries incorporated in Indonesia (the "Indonesian Group"). During the year, the directors re-assessed the Indonesian Group's functional currency and considered that the functional currency of the Indonesian Group should be changed from IDR to United States dollar ("USD") starting from 1 April 2012 as USD has become the currency that mainly influences the sales prices of goods of the Indonesian Group. The change of functional currency of the Indonesia Group was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates".

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Business combination and basis of consolidation (Cont'd)

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

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

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

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

(b) Subsidiaries

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

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

(c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Property, plant and equipment (Cont'd)

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

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Leasing

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

The Group as lessee

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

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

(f) Customer base

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

(g) Impairment of assets

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

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

(h) Financial instruments

(i) Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term, including derivatives.

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

Loans and receivables

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

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Financial instruments (Cont'd)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Compound Instruments

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

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

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

(v) Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Financial instruments (Cont'd)

(vi) Equity instruments

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

(vii) Financial guarantee contracts

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

(viii) Derecognition

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

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

(i) Cash and cash equivalents

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

(j) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Revenue recognition

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

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

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

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

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

Service income is recognised when the related service is rendered.

(l) Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Foreign currency

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

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

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

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

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

(n) Employee benefits

(i) Defined contribution retirement plan

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

(ii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Equity-settled share-based payment transactions

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

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

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

(p) Provisions and contingent liabilities

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

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

Provisions for close down, restoration and environmental costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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

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

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

(s) Capitalisation of borrowing costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(b) Reserve estimates

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

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

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

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

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

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

(e) Useful lives of property, plant and equipment

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

(f) Capitalised stripping costs

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

(g) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the group entities. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. Further details are set out in Note 3(c).

6. SEGMENT REPORTING

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

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

(i) Mining segment comprised the mining, exploration, logistics, sales of coal and other mining-related activities.

(ii) Shipping freight management service segment comprised the freight management service from time chartering of leased vessels for and on behalf of customers.

The Group was involved in the manufacturing and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services which was discontinued and abandoned during the year. Further details are set out in Note 16.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

6. SEGMENT REPORTING (Cont'd)

The following is an analysis of the Group's reportable segments

(a) Continuing operations

	Mining		Shipping freight management service		Total	
	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reportable segment revenue	685,260	427,225	*15,631	–	700,891	427,225
Intersegment sales	(5,262)	#(11,298)	5,262	–	–	#(11,298)
	679,998	415,927	20,893	–	700,891	415,927
Reportable segment profit/(loss)	143,581	70,568	14,558	–	158,139	70,568
Interest income	55	41	–	–	55	41
Finance costs	(22,458)	(3,001)	–	–	(22,458)	(3,001)
Depreciation and amortisation	(90,525)	(92,905)	–	–	(90,525)	(92,905)
Reportable segment assets	3,131,829	2,860,664	65,626	–	3,197,455	2,860,664
Additions to non-current assets	104,573	227,374	–	–	104,573	227,374
Reportable segment liabilities	(1,072,629)	906,376	(44,795)	–	(1,117,424)	906,376

* The shipping freight management segment revenue represents the net revenue arising from the total chartering income of HK$76,237,000 minus the total chartering cost of HK$60,606,000.

Eliminated among the inter-segments.

6. SEGMENT REPORTING (Cont'd)

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing operations and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets (the "specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Indonesia (place of domicile)	700,891	355,839	2,695,284	2,690,035
The People's Republic of China (the "PRC") and Hong Kong	–	–	29,300	29,800
Singapore	–	71,386	–	–
	700,891	427,225	2,724,584	2,719,835

The Group does not generate significant revenue from Bermuda, its place of incorporation nor Hong Kong where the Company's shares are listed. In the opinion of directors, the place of domicile is considered as Indonesia where the majority of the Group's operations are located.

Revenue from external customers arising from Indonesia during the year represents the mining segment revenue. The Group mainly adopted shipping terms of free on board (FOB) in Indonesia, and in the opinion of the Company's directors, the Group's coal products are eventually delivered to end-customers located in South Asia, the PRC and other Southeast Asia countries.

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

(c) Information about a major customer

Revenue from one major customer (2012: one major customer) of the Group's mining segment amounted to HK$463,716,000 (2012: HK$314,221,000) which represented 10% or more of the Group's revenue for the current year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

6. SEGMENT REPORTING (Cont'd)

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

	2013 HK$'000	2012 HK$'000
Profit before income tax (including continuing and discontinued operations):		
Reportable segment profit	150,672	49,204
Gain on disposal of subsidiaries	8,127	14,122
Unallocated corporate expenses and finance costs	(30,991)	(40,656)
Consolidated profit before income tax	127,808	22,670

	2013 HK$'000	2012 HK$'000
Assets:		
Reportable segment assets	3,197,455	2,945,586
Unallocated corporate assets	27,894	23,412
Consolidated total assets	3,225,349	2,968,998
Liabilities:		
Reportable segment liabilities	1,117,424	926,845
Unallocated convertible bonds	177,818	157,991
Unallocated promissory notes and interest payable	–	49,658
Unallocated corporate liabilities	7,901	1,974
Consolidated total liabilities	1,303,143	1,136,468

7. REVENUE

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

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Sale of coals and related handling fee income	685,260	427,225
Net time charter income	15,631	–
	700,891	427,225

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Other income	1,746	124
Interest income	55	41
Exchange differences, net	2,216	–
	4,017	165

9. PROFIT FOR THE YEAR

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

	2013 HK$'000	2012 HK$'000
Cost of services	6,417	2,489
Cost of inventories	607,273	424,227*
	613,690	426,716
Staff costs	52,042*	48,072*
Depreciation and amortisation of property, plant and equipment	90,525*	99,859*
Release of prepaid lease payments	623	62
Write-off of customer base	–	508
Amortisation of customer base	–	736
Auditors' remuneration	1,277	1,320
Dividend income from investments held for trading	–	(1)
Provision for close down, restoration and environmental costs	2,402*	624*

* Cost of inventories includes HK$62,311,000 (2012: HK$52,783,000) relating to staff costs, depreciation of property, plant and equipment excluding mining property, and provision for close down, restoration and environmental costs for which the amounts are also included in the respective total amounts disclosed separately above.

The amortisation charge for mining property included in property, plant and equipment for the year is included in the Group's cost of inventories in the consolidated income statement except that the amortisation charge of the Group in the amount of HK$814,000 (2012: HK$6,886,000) was recorded in cost of inventories which remained unsold as at end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

10. STAFF COSTS

	2013 HK$'000	2012 HK$'000
Staff costs (including directors' remuneration) comprises:		
Salaries and other benefits	47,629	46,614
Post-employment benefit contributions	3,937	1,458
Share-based payment expenses (Note 36)	476	–
	52,042	48,072

11. DIRECTORS' REMUNERATION

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

	Fees HK$'000	Salaries and other benefits HK$'000	Post-employment benefit contributions HK$'000	Total HK$'000
2013:				
Executive directors:				
Mr. Rashid Bin Maidin (Chief Executive Officer)	90	–	–	90
Mr. Ng Xinwei (Chief Operating Officer)	90	1,399	72	1,561
Ms. Lim Beng Kim, Lulu	90	–	–	90
Mr. Shiu Shu Ming	90	1,380	8	1,478
Mr. Li Man Ching	–	525	6	531
Ms. Li Mei Lin	–	500	7	507
Non-executive director:				
Mrs. Chen Chou Mei Mei	90	–	–	90
Independent non-executive directors:				
Mr. Chong Lee Chang	130	–	–	130
Mr. Chan Cheong Yee	130	–	–	130
Mr. Siu Kin Wai	150	–	–	150
	860	3,804	93	4,757

11. DIRECTORS' REMUNERATION (Cont'd)

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

None of the directors has waived or agreed to waive any emolument paid or payable by the Group during the year ended 31 March 2013 (2012: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

12. FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Of the five individuals with highest emoluments in the Group, four (2012: four) were directors of the Company, whose emoluments are included in the disclosures in Note 11 above. The emolument of the remaining one (2012: one) individual was as follow:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	955	1,500
Post-employment benefit contributions	9	16
	964	1,516

The emoluments paid or payable to members of senior management were within the following bands:

	2013 Number of individuals	2012 Number of individuals
HK$Nil to HK$1,000,000	9	7
HK$1,000,001 and HK$1,500,000	2	5

13. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Imputed interest on convertible bonds (Note 29)	19,827	17,665
Imputed interest on promissory notes (Note 30)	2,142	9,947
Interest charged under finance leases*	19,905	4,770
Interest on amount due to non-controlling owner of a subsidiary	–	886
Interest on secured bank borrowings wholly repayable within five years	3,228	5
	45,102	33,273

* Included in the above is interest of HK$2,158,000 (2012: HK$1,464,000) charged under finance lease arrangements entered into between (i) the Group; and (ii) the non-controlling owner of a subsidiary and its related companies.

14. INCOME TAX

The amount of income tax in the consolidated income statement represents:

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Current tax – overseas		
– tax for the year	44,837	33,911
– under-provision in prior years	521	–
	45,358	33,911
Deferred tax (Note 28)		
– tax for the year	(6,376)	(13,099)
Income tax	38,982	20,812

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit. No provision for Hong Kong profits tax was made for the years ended 31 March 2013 and 2012 as the Company and its respective subsidiaries in Hong Kong incurred tax loss for both years.

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

Income tax for the year can be reconciled to the profit before income tax per the consolidated income statement as follows:

	2013 HK$'000	2012 HK$'000
Profit before income tax (including continuing and discontinued operations)	127,808	22,670
Tax calculated at the domestic income tax rate of 16.5% (2012: 16.5%)	21,088	3,741
Effect of different tax rates of subsidiaries operating in other jurisdictions	11,670	4,559
Tax effect of expenses not deductible for tax purpose	46,553	44,924
Tax effect of income not taxable for tax purpose	(35,228)	(34,377)
Tax effect of tax losses not recognised	1,004	1,698
Tax effect of tax losses utilised	(6,646)	–
Tax effect of deductible temporary differences not recognised	20	236
Under/(over)-provision in prior years	521	(274)
Income tax for the year	38,982	20,507
Attributable to:		
Continuing operations	38,982	20,812
Discontinued operations (Note 16)	–	(305)
	38,982	20,507

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

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

Profit/(loss) for the year attributable to owners of the Company includes a loss of approximately HK$1,615,000 (2012: approximately HK$2,994,000) which has been dealt with in the financial statements of the Company.

16. DISCONTINUED OPERATIONS

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

	2013 **HK$'000**	**2012** **HK$'000**
Revenue	*125,251	109,074
Cost of sales and services	(118,696)	(97,512)
Gross profit	6,555	11,562
Other income and other gains and losses	5,778	2,894
Distribution and selling expenses	(972)	(1,606)
Loss on disposal of property, plant and equipment	–	(25,044)
Administrative expenses	(18,697)	(20,499)
Gain on disposal of subsidiaries (Note 39)	8,127	14,122
Finance costs	(132)	(2,794)
Profit/(loss) before income tax	659	(21,365)
Income tax	–	305
Profit/(loss) for the year from discontinued operations	659	(21,060)
Total cash outflow	2,773	8,878
Other information:		
Reportable assets	–	84,922
Reportable liabilities	–	20,469

* In the opinion of the directors, revenue for the year comprises sales of knitted fabrics and dyed yarns of HK$56,282,000 and disposal of raw materials of HK$68,969,000 from the discontinued operations.

16. DISCONTINUED OPERATIONS (Cont'd)

In the prior year, the Group disposed of all of its owned vessels and the ship chartering business in Singapore and was presented as a discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In the current year, the Group commenced the provision of shipping freight operation in Indonesia which in the opinion of the directors has dissimilar economic risks and characteristics from the ship chartering business in Singapore and is therefore regarded as a new operating segment in a different geographical region. The shipping freight business in Indonesia is presented as a continuing operation in the current year.

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

17. EARNINGS/(LOSS) PER SHARE

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

From continuing and discontinued operations

	2013 HK$'000	2012 HK$'000
Earnings/(loss)		
Earnings/(loss) attributable to owners of the Company for the purposes of basic earnings/(loss) per share:		
From continuing operations	52,811	3,436
From discontinued operations	659	(21,060)
	53,470	(17,624)

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	583,706	583,706

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is HK0.1 cents (2012: Basic and diluted losses per share of HK3.6 cents) per share, based on the profit for the year from the discontinued operations of HK$659,000 (2012: loss of HK$21,060,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted earnings per share of the continuing and discontinued operations.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

18. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK$'000	Mining property HK$'000	Non-mining-related plant and machinery HK$'000	Mining-related plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 April 2011	10,327	2,639,589	248,890	21,577	41,535	10,892	60,545	–	3,033,355
Reclassification	–	–	(47,122)	47,122	–	–	–	–	–
Exchange adjustments	(82)	(128,092)	3,597	(11,618)	(151)	(307)	317	–	(136,336)
Additions	1,773	16,025	–	199,243	3,920	6,419	–	–	227,380
Disposal	–	–	(83,726)	–	(23,450)	(888)	(60,862)	–	(168,926)
Disposal of subsidiaries	–	–	(113,111)	–	(4,378)	(3,484)	–	–	(120,973)
Write-off	–	–	(2,052)	–	–	–	–	–	(2,052)
At 31 March 2012	12,018	2,527,522	6,476	256,324	17,476	12,632	–	–	2,832,448
Exchange adjustments	1	208	–	5	3	8	–	3	228
Additions	933	23,834	32	50,163	4,559	10,235	–	2,717	92,473
Disposal of subsidiaries	(9,879)	–	(6,508)	–	(11,736)	(4,077)	–	–	(32,200)
At 31 March 2013	3,073	2,551,564	–	306,492	10,302	18,798	–	2,720	2,892,949
Accumulated depreciation and amortisation and impairment									
At 1 April 2011	1,628	21,595	162,089	2,177	38,996	8,364	1,997	–	236,846
Reclassification	–	–	(4,005)	4,005	–	–	–	–	–
Exchange adjustments	(4)	(3,483)	3,155	(1,215)	50	45	11	–	(1,441)
Provided for the year	361	69,039	4,798	22,013	1,026	903	1,719	–	99,859
Disposal of subsidiaries	–	–	(86,780)	–	(4,378)	(3,484)	–	–	(94,642)
Eliminated on disposal	–	–	(71,138)	–	(22,791)	(888)	(3,727)	–	(98,544)
Write-off	–	–	(1,643)	–	–	–	–	–	(1,643)
At 31 March 2012	1,985	87,151	6,476	26,980	12,903	4,940	–	–	140,435
Exchange adjustments	–	874	–	29	2	1	–	–	906
Provided for the year	230	49,655	–	37,031	1,871	1,738	–	–	90,525
Disposal of subsidiaries	(1,794)	–	(6,476)	–	(11,736)	(4,077)	–	–	(24,083)
At 31 March 2013	421	137,680	–	64,040	3,040	2,602	–	–	207,783
Net carrying value									
At 31 March 2013	2,652	2,413,884	–	242,452	7,262	16,196	–	2,720	2,685,166
At 31 March 2012	10,033	2,440,371	–	229,344	4,573	7,692	–	–	2,692,013

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

As at 31 March 2013, the net carrying values of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$14,544,000 (2012: HK$7,460,000) and HK$138,015,000 (2012: HK$127,483,000), respectively.

As at 31 March 2013, the Group's mining-related plant and machinery with an aggregate carrying value of HK$23,024,000 (2012: HK$27,508,000) were pledged to secure bank borrowings of the Group. The Group has pledged buildings with an aggregate net carrying value of approximately HK$Nil (2012: HK$6,717,000) to secure banking facilities of the Group.

In prior year, the Group's property, plant and equipment with an aggregate carrying value of HK$1,764,000 were disposed of to a former subsidiary of the Group at a total consideration of HK$9,897,000.

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

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

Cost of mining property as at 31 March 2013 include stripping activity assets of HK$39,859,000 (2012: HK$16,025,000) in relation to the Group's mine.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

19. CUSTOMER BASE

Group	HK$'000
Cost	
At 1 April 2011	2,722
Write off during the year	(2,736)
Exchange adjustments	14
At 31 March 2012 and 31 March 2013	–
Accumulated amortisation and impairment	
At 1 April 2011	1,485
Amortisation for the year	736
Write off during the year	(2,228)
Exchange adjustments	7
At 31 March 2012 and 31 March 2013	–
Net carrying value	
At 31 March 2012 and 31 March 2013	–

20. PREPAID LEASE PAYMENTS

As at 31 March 2013, the Group's prepaid lease payments represent leasehold land held in Indonesia under medium-term land use rights and are analysed for reporting purpose as follows:

Group	2013 HK$'000	2012 HK$'000
Non-current assets	10,283	6,427

21. DEPOSITS PAID FOR CONSTRUCTION OF A PLANT

The Group and the Company

The balances represented deposits of HK$29,135,000 (2012: HK$21,395,000) paid to PT Total Sinergy International ("TSI"), which is beneficially 25.5%-owned by a shareholder of the Company and 25.5%-owned by a holder of convertible bonds of the Company, in relation to construction of a plant of the Group (i.e. GEO-COAL Plant) with the coal upgrading technology namely GEO-COAL Technology which is developed and owned by TSI and the amounts were classified in non-current assets as at 31 March 2012 and 2013, details of which are set out in the Company's announcements dated 7 April 2011 and 23 June 2011. The GEO-COAL Plant is still under construction by TSI as at end of reporting period. Further details are set out in Note 38(c).

22. INVENTORIES

Group	2013 HK$'000	2012 HK$'000
Coal	14,326	33,173
Raw materials	–	26,062
Work in progress	–	8,936
	14,326	68,171

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

The Group adopts industry credit practice however during the year, customers with a proven track record were granted a longer credit period of up to 120 days. The Group does not hold any collateral over all of the trade receivable balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of reporting period:

Group	2013 HK$'000	2012 HK$'000
0-60 days	130,672	27,192
61-90 days	22,143	264
91-120 days	21,212	843
Over 120 days	45,088	4,429
	219,115	32,728

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$57,368,000 (2012: HK$9,274,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The average age of these receivables is 60-90 days for both years.

Ageing of trade receivables which are past due but not impaired

	2013 HK$'000	2012 HK$'000
1-60 days	31,488	4,002
61-90 days	6,219	–
91-120 days	10,353	843
Over 120 days	9,308	4,429
	57,368	9,274

As at 31 March 2013, bills receivable are aged within one month (2012: one month).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

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

Movement in impairment loss recognised

Group	2013 HK$'000	2012 HK$'000
Balance at the beginning of year	1,350	1,711
Impairment loss on trade receivables	–	152
Amount written off as uncollectible	–	(513)
Balance at the end of the year	1,350	1,350

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

Included in the trade receivables of the Group are amounts due from a shareholder of the Company in aggregate amount of HK$43,252,000 as at 31 March 2013 which has been realised subsequently.

24. BANK BALANCES AND CASH

No fixed bank deposits were placed as at 31 March 2013. In prior year, bank balances mainly represented fixed bank deposits with maturity less than three months. They carried interests at fixed rates which ranged from 0.01% to 3.00% per annum.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	2013 HK$'000	2012 HK$'000
Listed equity securities held for trading in Hong Kong	–	19

At 31 March 2012, all financial assets at fair value through profit or loss were stated at fair value. The fair values of listed securities were determined based on the bid prices quoted in active markets.

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

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

Group	2013 HK$'000	2012 HK$'000
0-60 days	41,074	28,469
61-90 days	10,724	188
Over 90 days	46,599	17,174
	98,397	45,831

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

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

As at 31 March 2013, bills payable are aged within four months (2012: four months).

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

Included in the other payables of the Group as at 31 March 2013 is an amount of HK$25,426,000 (2012: HK$Nil) due to a shareholder of the Company which is unsecured, interest-free and has no fixed terms of repayment.

The current year provision for close down, restoration and environmental costs of HK$2,402,000 (2012: HK$624,000) (Note 9) in relation to the Group's mining property has been determined by the management and charged to profit or loss during the year. Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant Indonesian regulations, the Group was required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

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

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

Group	2013 HK$'000	2012 HK$'000
Balance at the beginning of year	1,653	1,440
Provided for the year	2,402	624
Settled during the year	–	(154)
Exchange adjustments	(97)	(257)
Balance at the end of the year	3,958	1,653

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

27. SECURED BANK BORROWINGS

The Group	**2013**	**2012**
	HK$'000	**HK$'000**
Bank borrowings are secured and repayable as follows:		
On demand or within one year	74,638	10,107
After one year but within two years	6,076	10,490
After two years but within five years	–	4,818
	80,714	25,415
Amount due within one year included in current liabilities	(74,638)	(10,107)
Amount due over one year included in non-current liabilities	6,076	15,308

The bank borrowings bear fixed interest rates which range from 3.25% to 11.25% (2012: fixed interest rate of 11.25%) per annum.

As at 31 March 2013, certain property, plant and equipment of the Group were pledged to secure the bank borrowings of the Group (Note 18).

As at 31 March 2013, the Group had available HK$35,353,000 (2012: HK$7,705,000) of undrawn committed banking facilities in respect of which all conditions precedent were met.

	2013	**2012**
	HK$'000	**HK$'000**
Bank borrowings of the Group were denominated in:		
IDR	46,868	3,840
US$	33,846	21,575
	80,714	25,415

28. DEFERRED TAX

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

Group	Mining property and customer base HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 31 March 2011	(647,605)	(1,665)	1,665	(647,605)
Credit/(charge) to profit or loss (Note 14)	13,099	(274)	274	13,099
Exchange adjustments	30,824	–	–	30,824
At 31 March 2012	(603,682)	(1,939)	1,939	(603,682)
Credit to profit or loss (Note 14)	6,376	–	–	6,376
Reclassification upon disposal of subsidiaries	–	1,939	(1,939)	–
Exchange adjustments	109	–	–	109
At 31 March 2013	(597,197)	–	–	(597,197)

At 31 March 2013, the Group has unused tax losses of HK$25,207,000 (2012: HK$59,403,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$524,000 (2012: HK$11,752,000) of such losses. No deferred tax asset had been recognised in respect of the remaining tax losses of HK$24,683,000 (2012: HK$47,651,000) due to the unpredictability of future profit streams.

29. CONVERTIBLE BONDS

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

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

The carrying amount of the Convertible Bonds in issue was split into the equity and liability components. The fair value of the liability component was calculated using a market borrowing rate of 12.51% per annum at the date of issue. The residual amount net of the attributable issue expenses of HK$194,492,000, representing the value of the equity conversion component, is included in shareholders' equity in the convertible bonds equity reserve.

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

Group and Company	2013 HK$'000	2012 HK$'000
At beginning of the year	157,991	140,326
Imputed interest expense (Note 13)	19,827	17,665
At end of the year	177,818	157,991

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

30. PROMISSORY NOTES

Group and Company	2013 HK$'000	2012 HK$'000
At beginning of the year	49,658	112,711
Redemption of principal and settlement of interest expenses	(51,800)	(73,000)
Imputed interest expense (Note 13)	2,142	9,947
At end of the year	–	49,658
Less: Interest payable included in other payables under current liabilities	–	(1,800)
Non-current portion	–	47,858

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

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

During the year, promissory notes have been fully redeemed.

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

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each:		
At 1 April 2011, and 31 March 2012 and 2013	4,500,000,000	450,000
Convertible preference shares of HK$0.10 each (the "CPS"):		
At 1 April 2011, and 31 March 2012 and 2013	500,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each:		
At 1 April 2011, and 31 March 2012 and 2013	583,705,600	58,371

32. CONVERTIBLE PREFERENCE SHARES

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

33. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible preference shares reserve HK$'000	Convertible bonds equity reserves HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2011	335,108	153,400	248,579	194,492	6,094	(67,932)	869,741
Loss and comprehensive income for the year	–	–	–	–	–	(46,865)	(46,865)
Release of share option reserve upon lapse of share options	–	–	–	–	(540)	540	–
At 31 March 2012	335,108	153,400	248,579	194,492	5,554	(114,257)	822,876
Transfer of reverses	–	(122,652)	–	–	–	122,652	–
Loss and comprehensive income for the year	–	–	–	–	–	(1,615)	(1,615)
Share-based payment (Note 36)	–	–	–	–	476	–	476
At 31 March 2013	335,108	30,748	248,579	194,492	6,030	6,780	821,737

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

34. LEASES

Finance leases

Future lease payments are due as follows:

Group	Minimum lease payments 2013 HK$'000	Future interest 2013 HK$'000	Present value 2013 HK$'000
Not later than one year	75,316	15,267	60,049
Later than one year and not later than five years	58,063	11,778	46,285
	133,379	27,045	106,334

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

The present value of future lease payments are analysed as:

Group	2013 HK$'000	2012 HK$'000
Current liabilities	60,049	44,672
Non-current liabilities	46,285	69,475
	106,334	114,147

As at 31 March 2013, included in the obligation under finance lease is an aggregate amount of HK$4,979,000 (2012: HK$18,567,000) which arises from the finance lease arrangements entered into between (i) the Group and (ii) the non-controlling owner of a subsidiary and its related companies.

34. LEASES (Cont'd)

Operating lease – lessee

The Group paid minimum lease payments of HK$2,150,000 (2012: HK$2,845,000) and HK$6,417,000 (2012: HK$Nil) under operating leases in respect of rented premises and leasing of a road in Indonesia for mining operation, respectively.

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

Group	2013 HK$'000	2012 HK$'000
Within one year	5,309	1,794
In the second to fifth years inclusive	101,955	1,233
After five years	120,547	–
	227,811	3,027

Operating lease payments represent rentals payable by the Group for certain of its office premises and a road for mining operation in Indonesia. Leases of office premises are negotiated for an average term of 1 to 2 years with fixed rentals. Lease of the road in Indonesia is negotiated for a term of 10 years. The yearly rentals are fixed for 10-year period.

During the year, the Group entered into time charter agreements with an independent third party to charter certain vessels for the Group's shipping freight operation. Leases of time charter of vessels are negotiated for term of 1 year with their rentals committed based on weight of products transported.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

Group	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	486,439	180,973
Financial assets at fair value through profit or loss, at fair value	–	19
Financial liabilities		
Financial liabilities, amortised cost	616,809	493,889

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

36. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme adopted since 28 August 2002 (the "Old Scheme") expired on 27 August 2012. As at the end of the reporting period, 31,250,000 share options under the Old Scheme were outstanding and detailed in table below. The provisions of the Old Scheme shall remain in all other respects in full force and effect in respect of any options granted prior to such expiration but not yet exercised at the time of expiration.

On 10 October 2012, the Company adopted a new share option scheme (the "Scheme") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the board of directors (the "Board") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The Scheme will be ending on 9 October 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date; and (iii) the nominal value of a share, subject to a maximum of 58,370,560 shares, representing approximately 10% of the issued share capital of the Company, as at the date of the approval of the refreshment of Scheme mandate limit.

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

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

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

The following table discloses movements during both years in the scheme of the Company:

Category	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options At 1/4/2011	Granted/ exercised	Lapsed	At 31/3/2012	Granted/ exercised	Lapsed	At 31/3/2013
1. Directors										
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	2,750,000	–	–	2,750,000	–	–	2,750,000
Ms. Lim Beng Kim, Lulu	30/8/2010	30/8/2010 to 29/8/2020	1.120	1,500,000	–	–	1,500,000	–	–	1,500,000
Ms. Elly Ong	30/8/2010	30/8/2010 to 29/8/2020	1.120	2,750,000	–	(2,750,000)	–	–	–	–
Mr. Shiu Shu Ming	30/8/2010	30/8/2010 to 29/8/2020	1.120	2,750,000	–	–	2,750,000*	–	–	2,750,000
				9,750,000	–	(2,750,000)	7,000,000	–	–	7,000,000
2. Associate of shareholder										
Ms. Lim Chek Hwee	30/8/2010	30/8/2010 to 29/8/2020	1.120	3,000,000	–	–	3,000,000	–	–	3,000,000
3. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	1,500,000	–	–	1,500,000	–	–	1,500,000
				1,500,000	–	–	1,500,000	–	–	1,500,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	15,750,000	–	–	15,750,000	–	–	15,750,000
	18/3/2012	18/3/2012 to 17/3/2021	1.122	1,000,000	–	–	1,000,000	–	–	1,000,000
	27/8/2012	27/8/2012 to 26/8/2022	0.500	–	–	–	–	3,000,000	–	3,000,000
				16,750,000	–	–	16,750,000	3,000,000	–	19,750,000
				31,000,000	–	(2,750,000)	28,250,000	3,000,000	–	31,250,000

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

The exercise price of share options outstanding at the end of the year ranged from HK$0.500 to HK$1.122 (2012: HK$1.120) and their weighted average remaining contractual life was 7.66 years (2012: 8.42 years).

Of the total number of share options outstanding at the end of the year, 31,250,000 (2012: 28,250,000) had vested and were exercisable at the end of the year.

No option was exercised during the year.

The fair value of the share options granted during the year was HK$476,000 (2012: HK$Nil), which was charged in profit or loss in the current year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

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

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013
Exercise price	HK$0.50
Expected volatility (%)	66.621%
Expected dividend rate (%)	Nil
Risk-free interest rate (%)	0.1875%
Expected life of option (year)	1.5 years

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

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

37. INTERESTS IN SUBSIDIARIES

The Company	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	2	84,948
Less: Impairment loss	–	(61,822)
Investments in subsidiaries, net of impairment loss	2	23,126

During the year, the Company disposed of subsidiaries with accumulated allowance for investments in subsidiaries of HK$61,822,000 (2012: HK$61,822,000) at the disposal date. Accordingly, no accumulated allowance for investment in subsidiaries was recognised (2012: HK$61,822,000) as at 31 March 2013.

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

37. INTERESTS IN SUBSIDIARIES (Cont'd)

The following list contains only the particulars of the principal subsidiaries as at 31 March 2013 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital as at 31 March 2013	Proportion of effective equity interests held by the Group 2013	2012	Principal activities
Newtone Management Limited	Hong Kong	HK$1	100%	100%	Provision of administrative services
Rimau Shipping Pte. Ltd.	Singapore	Singapore Dollars ("SGD")3,600,000	100%	100%	Provision of shipping freight management service
Agritrade Resources Asia Pte Ltd.	Singapore	US$3,000,000 and SGD100	100%	100%	Coal sales and marketing
PT Megastar Indonesia	Indonesia	IDR4,500,000,000	95%	95%	Provision of logistic services
PT Senamas Energindo Mineral	Indonesia	IDR1,250,000,000	57%	57%	Coal trading

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

38. RELATED PARTY TRANSACTIONS

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

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

	2013 HK$'000	2012 HK$'000
Time charter income from a related company with common directors of the Company	–	4,831
Sales to a non-controlling owner of a subsidiary and its related company	–	314,221#
Sales to a shareholder of the Company	43,212	–
Production fee paid to a non-controlling owner of a subsidiary	8,440	5,095
Transportation fee paid to a related party of a non-controlling owner of a subsidiary	–	28,023
Management fee paid to a related company with common directors of the Company	–	430
Minimum lease payments paid to a director	–	62

Subsequent to the resignation of the director in a customer who is also a director of a non-controlling owner of a subsidiary, in the opinion of the directors of the Company, the customer is no longer a related company of the Group in the current year and therefore the transactions between the Group and the customer for the current year has not been disclosed in this note.

38. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Amounts with related parties are summarised below:

	2013 HK$'000	Maximum amount outstanding during the year HK$'000	2012 HK$'000
(i) Amounts due from:			
– Director (Mr. Li Man Ching)	–	61	61
– Non-controlling owner of a subsidiary (Mr. Ridwan Andi Wittiri)	409	409	–
– Related companies of a non-controlling owner of a subsidiary	54,460	67,044	67,044
– Related companies with common directors of the Company			
Integral Marine Services Pte Ltd	–	8,364	8,364
Jet Marine Pte Ltd	–	1,552	1,552
PT Rimau Electric	3,633	6,722	6,722
Amounts included in current assets	58,502		83,743
(ii) Amounts due to:			
– Director	–		600
– Non-controlling owners of a subsidiary and its related companies	24,392		19,893
	24,392		20,493
Less: amounts included in current liabilities	(2,433)		(12,915)
Amounts included in non-current liabilities	21,959		7,578

Except for amounts of HK$21,959,000 (2012: HK$7,578,000) due to related parties which are unsecured, interest-free (2012: interest-bearing ranging from 11% to 12% per annum) and repayable after one year from 31 March 2013 (2012: repayable after one year from 31 March 2012), the balances with the above related parties are unsecured, interest-free and repayable on demand or within one year after the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

38. RELATED PARTY TRANSACTIONS (Cont'd)

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

Pursuant to the agreement, TSI is appointed by the Group as the project manager to design, build and install the GEO-COAL Plant to apply the GEO-COAL Technology, and the estimated cost of such plant is approximately US$4,000,000 and estimated project management fee of the GEO-COAL Plant to be received by TSI is approximately US$1,000,000. Deposits of HK$29,135,000 (2012: HK$21,395,000) were paid by the Group in relation to the construction of the GEO-COAL Plant as at 31 March 2013.

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

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

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

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

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

39. DISPOSAL OF SUBSIDIARIES

On 31 January 2013, the Group disposed of its entire 100% equity interests in Sinoplex Limited and its subsidiaries (the "Sinoplex Group") to a company of which certain directors are also former directors of the Company, at an aggregate consideration of HK$63,000. The Sinoplex Group also agreed to waive its amount due from the Group upon the completion of the above disposal. The disposal was completed on 31 January 2013. The principal activities of the Sinoplex Group are the provision of dyeing, bleaching, setting and finishing services.

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

	HK$'000
Property, plant and equipment (Note 18)	8,117
Trade and other receivables	11,025
Amount due from the Group	6,650
Financial assets at fair value through profit or loss	19
Bank balances and cash	13,055
	38,866
Trade and other payables	(30,583)
Bills payable	(6,097)
Tax payable	(3,600)
	(40,280)
Net liabilities disposed of	(1,414)
Waiver of the amount due from the Group	(6,650)
	(8,064)
Gain on disposal	8,127
Cash consideration	63
Net cash outflow arising on disposal:	
Cash consideration received	63
Bank balances and cash disposed of	(13,055)
	(12,992)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

39. DISPOSAL OF SUBSIDIARIES (Cont'd)

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

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

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

40. COMMITMENTS

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

Group	**2013**	**2012**
	HK$'000	**HK$'000**
Capital commitments		
Construction of buildings, contracted but not provided for	9,725	17,505
Purchase of other property, plant and equipment items, contracted but not provided for	1,115	16,076
	10,840	33,581

Company	**2013**	**2012**
	HK$'000	**HK$'000**
Capital commitments		
Construction of buildings, contracted but not provided for	9,725	17,505

41. SIGNIFICANT NON-CASH TRANSACTIONS

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

(a) During the year, included in the total consideration for the redemption of promissory notes, is the amount of HK$42,150,000 which was settled by set-off of the Group's other receivables and inventories in the amount of HK$9,676,000 and HK$32,474,000, respectively.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

42. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bills receivable, bank balances and cash, trade and other payables, bills payable, financial assets at fair value through profit or loss, and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (mainly interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

Market risk

Interest rate risk

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

Credit risk

In order to manage its the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Other than the concentration of credit risk by geographical location, which is mainly in Indonesia and accounted for 58% (2012: mainly in Singapore and accounted for 66%) of the total trade receivable as at 31 March 2013, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

42. FINANCIAL RISK MANAGEMENT (Cont'd)

Liquidity risk

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

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

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2013						
Non-derivative financial liabilities						
Trade payables and other payables	164,536	–	–	–	164,536	164,536
Amounts due to related parties	2,433	21,959	–	–	24,392	24,392
Obligation under finance leases	75,316	55,103	2,960	–	133,379	106,334
Convertible bonds	–	–	–	413,250	413,250	177,818
Secured bank borrowings	76,010	6,128	–	–	82,138	80,714
	318,295	83,190	2,960	413,250	817,695	553,794
2012						
Non-derivative financial liabilities						
Trade payables and other payables	46,886	–	–	–	46,886	46,886
Bills payable	4,419	–	–	–	4,419	4,419
Amounts due to related parties	13,801	7,578	–	–	21,379	20,493
Obligation under finance leases	55,489	86,626	–	–	142,115	114,147
Promissory notes and interest payable	2,000	51,258	–	–	53,258	49,658
Convertible bonds	–	–	–	413,250	413,250	157,991
Secured bank borrowings	11,391	11,066	5,574	–	28,031	25,415
	133,986	156,528	5,574	413,250	709,338	419,009

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2013

42. FINANCIAL RISK MANAGEMENT (Cont'd)

Currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Approximately 3% (2012: 19%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. Approximately 11% (2012: 14%) of the Group's costs were denominated in the units' functional currencies during the year. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

Group

	Increase in US$ rate %	**Increase/ (decrease) in profit before income tax HK$'000**
2013		
If IDR weakens against US$	5%	1,281
If SGD weakens against US$	5%	1,066
2012		
If IDR weakens against US$	5%	(931)
If SGD weakens against US$	5%	238

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

42. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position

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

- 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).

At 31 March 2012, all of the Group's listed equity securities investments of HK$19,000 were categorised under Level 1 fair value measurement. During the year, all of the Group's listed equity securities investment were disposed of.

43. CAPITAL RISK MANAGEMENT

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position (the "Borrowings"), including secured bank borrowings, amounts due to related parties, obligation under finance leases, convertible bonds and promissory notes. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus the Borrowings. The gearing ratios of the Group at 31 March 2013 and 2012 were as follows:

	2013 **HK$'000**	**2012** **HK$'000**
Total borrowings	389,258	365,904
Equity attributable to owners of the Company	1,054,903	1,000,460
Total capital	1,444,161	1,366,364
Gearing ratio	27%	27%

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

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

44. CONTINGENT LIABILITIES

The Company gave corporate guarantee to secure bank borrowing facilities of its subsidiaries for which HK$Nil was utilised as at 31 March 2013 and 2012.

FINANCIAL SUMMARY

RESULTS

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

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
Revenue					
– continuing operation	235,865	159,036	216,639	427,225	700,891
– discontinued operation	–	–	18,602	109,074	125,251
	235,865	159,036	235,241	536,299	826,142
Profit/(loss) before tax					
– continuing operation	(42,609)	(2,665)	32,991	44,035	127,149
– discontinued operation	–	–	5,669	(21,365)	659
	(42,609)	(2,665)	38,660	22,670	127,808
Income tax credit (expense)					
– continuing operation	–	(1,908)	3,474	(20,812)	(38,982)
– discontinued operation	–	–	–	305	–
	–	(1,908)	3,474	(20,507)	(38,982)
Profit/(loss)for the year					
– continuing operation	(42,609)	(4,573)	36,465	23,223	88,167
– discontinued operation	–	–	5,669	(21,060)	659
	(42,609)	(4,573)	42,134	2,163	88,826
Attributable to:					
Owners of the Company	(42,609)	(4,573)	44,125	(17,624)	53,470
Non-controlling interests	–	–	(1,991)	19,787	35,356
	(42,609)	(4,573)	42,134	2,163	88,826

ASSETS AND LIABILITIES

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
Total assets	328,566	353,906	2,969,975	2,968,998	3,225,349
Total liabilities	(28,981)	(55,690)	(1,024,167)	(1,136,468)	(1,303,143)
	299,585	298,216	1,945,808	1,832,530	1,922,206
Attributable to:					
Owners of the Company	299,585	298,216	1,091,506	1,000,460	1,054,903
Non-controlling interests	–	–	854,302	832,070	867,303
	299,585	298,216	1,945,808	1,832,530	1,922,206