HAO TIAN RESOURCES GROUP LIMITED
昊天能源集團有限公司

(formerly known as "Winbox International (Holdings) Limited 永保時國際（控股）有限公司")

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors of Hao Tian Resources Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**51,197**	53,354
Cost of sales		**(46,989)**	(42,856)
Gross profit		**4,208**	10,498
Other income, gain and loss	*5*	**(2,888)**	9,450
Distribution and selling costs		**(1,272)**	(1,365)
Administrative expenses		**(33,817)**	(13,365)
Other expenses	*6*	**(5,285)**	–
Change in fair value of investments held for trading		**(132)**	3,813
Change in fair value of derivative financial instruments		**(30,021)**	–
Finance costs	*7*	**(13,532)**	–
(Loss) profit before taxation		**(82,739)**	9,031
Taxation	*8*	**149**	(335)

		Six months ended 30 September	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	*9*	**(82,590)**	8,696
Other comprehensive income			
Exchange differences arising on translation		**11,980**	3,150
Fair value changes on available-for-sale investments		**(828)**	7,404
Impairment recognition in respect of available-for-sale investments		**–**	13
Transfer to profit or loss on disposal of available-for-sale investments		**–**	(6,738)
Other comprehensive income for the period attributable to owners of the Company		**11,152**	3,829
Total comprehensive (expense) income for the period attributable to owners of the Company		**(71,438)**	12,525
(Loss) earnings per share	*11*		
Basic		**(HK4.56 cents)**	HK2.10 cents
Diluted		**(HK4.56 cents)**	HK2.08 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

	NOTES	**30.9.2010** *HK$'000* (unaudited)	31.3.2010 *HK$'000* (audited) (restated)
Non-current assets			
Property, plant and equipment	*12*	**144,589**	69,990
Prepaid lease payments	*12*	**26,154**	26,111
Investment property	*12*	**1,041**	1,058
Mining rights		**1,914,127**	1,903,116
Available-for-sale investments		**8,992**	21,457
Deposit paid for acquisition of property, plant and equipment		**81,151**	79,286
Deferred tax asset	*13*	**205**	205
		2,176,259	2,101,223
Current assets			
Inventories		**29,406**	21,189
Trade and bills receivables	*14*	**23,177**	9,314
Other receivables, deposits and prepayments		**12,114**	10,216
Investments held for trading		**171**	303
Prepaid lease payments	*12*	**1,106**	1,081
Tax recoverable		**2,018**	1,641
Restricted bank deposits	*15*	**–**	54,586
Bank balances and cash		**133,966**	302,671
		201,958	401,001
Current liabilities			
Trade payables	*16*	**13,578**	5,901
Other payables, deposits received and accruals		**36,526**	148,485
Bank borrowing		**9,294**	9,080
Tax payable		**2,060**	2,078
		61,458	165,544
Net current assets		**140,500**	235,457
Total assets less current liabilities		**2,316,759**	2,336,680

	NOTES	30.9.2010	31.3.2010
		HK$'000	HK$'000
		(unaudited)	(audited)
			(restated)
Non-current liabilities			
Retirement benefits obligations		**1,160**	1,138
Convertible notes	*17*	**321,574**	369,294
Embedded derivatives	*17*	**348,777**	392,765
Deferred tax liabilities	*13*	**477,781**	475,201
		1,149,292	1,238,398
Net assets		**1,167,467**	1,098,282
Capital and reserves			
Share capital	*18*	**90,935**	84,309
Reserves		**1,076,532**	1,013,973
Total equity		**1,167,467**	1,098,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the special resolution of the Company dated 7 May 2010, the name of the Company has been changed from Winbox International (Holdings) Limited to Hao Tian Resources Group Limited with effect from 7 May 2010.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries include (i) development of underground coking coal mine, coal production and sale of coal; and (ii) manufacturing and sale of quality plastic and paper boxes for luxury consumer goods.

The Group's condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following revised standards, amendments and interpretation issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

HKFRS 3 (Revised) "Business Combinations" & HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is whether or not substantially all risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1 April 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. The application of this amendment has no significant financial impact to the Group's profit for the current and prior periods.

The effect of changes in accounting policies described above on the financial position of the Group as at 1 April 2009 and 31 March 2010 is as follows:

	As at 1.4.2009 (originally stated)	Adjustments	As at 1.4.2009 (restated)	As at 31.3.2010 (originally stated)	Adjustments	As at 31.3.2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	14,847	2,643	17,490	67,415	2,575	69,990
Prepaid lease payments	3,382	(2,643)	739	29,767	(2,575)	27,192
Total effects on net assets	18,229	–	18,229	97,182	–	97,182

The adoption of the other revised standards, amendments and interpretation has had no material effect on the reporting results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[4]
HKFRS 9	Financial instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

2 *Effective for annual periods beginning on or after 1 July 2010.*

3 *Effective for annual periods beginning on or after 1 January 2011.*

4 *Effective for annual periods beginning on or after 1 July 2011.*

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

Other than the application of HKFRS 9 "Financial Instruments" which might affect classification and measurement of the Group's financial assets, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material effect on the results and financial position of the Group.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less sales tax during the period.

4. SEGMENT INFORMATION

The Group's chief operating decision maker makes its decision on allocation of resources and assessment of performance based on the operation of individual subsidiary or group of subsidiaries. In the prior period, the Group's principal activity is manufacturing and sale of quality plastic paper boxes for luxury consumer goods and the directors considered that the sale of plastic and paper boxes for luxury consumers goods could be divided into two operating segments, based on two different group of subsidiaries.

On 25 January 2010, the Group acquired subsidiaries which mainly engage in developing of underground coking coal mine, coal production and sale of coal in the People's Republic of China ("PRC"). The directors of the Company considered the acquired subsidiaries as a separate operating segment, as a result, an additional segment on coal mining operation has been presented.

(a) Sale of plastic and paper boxes for luxury consumer goods:

  (i) France Operation – Dardel S.A.S.

  (ii) China Operation – Winbox Company Limited, Winbox Plastic Manufacturing (Shenzhen) Company Limited, First Light Investments Limited and Winpac Trading Co. Limited

(b) Developing of underground coking coal mine, coal production and sale of coal:

  (iii) Coal Mining Operation – Tianyu Coal Company Limited and Tianyu Gongmao Company Limited

Information regarding the above segments is reported below:

For the six months ended 30 September 2010

	Sale of plastic and paper boxes for luxury consumer goods			
	France Operation *HK$'000* (unaudited)	**China Operation** *HK$'000* (unaudited)	**Coal Mining Operation** *HK$'000* (unaudited)	**Consolidated** *HK$'000* (unaudited)
Revenue	**11,495**	**39,702**	**–**	**51,197**
Segment results	**(215)**	**(8,435)**	**(12,207)**	**(20,857)**
Other income, gain and loss				**(2,888)**
Central administration costs				**(15,309)**
Change in fair value of investments held for trading				**(132)**
Change in fair value of derivative financial instruments				**(30,021)**
Finance costs				**(13,532)**
Loss before taxation				**(82,739)**

For the six months ended 30 September 2009

	Sale of plastic and paper boxes for luxury consumer goods			
	France Operation *HK$'000* (unaudited)	China Operation *HK$'000* (unaudited)	Coal Mining Operation *HK$'000* (unaudited)	Consolidated *HK$'000* (unaudited)
Revenue	11,404	41,950	–	53,354
Segment results	(745)	4,498	–	3,753
Other income, gain and loss				9,450
Central administration costs				(7,985)
Change in fair value of investments held for trading				3,813
Profit before taxation				9,031

Segment results represent the profit or loss earned by each segment without allocation of other income, gain and loss, central administration costs, change in fair value of investments held for trading and derivative financial instruments and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

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

	30.9.2010 ***HK$'000***	31.3.2010 *HK$'000*
Sale of plastic and paper boxes by luxury consumer goods		
– France Operation	**13,525**	13,006
– China Operation	**47,952**	27,969
Coal Mining Operation	**2,159,510**	2,122,235
Total segment assets	**2,220,987**	2,163,210

5. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest earned on bank deposits	**28**	166
Interest earned on unlisted debt securities held for trading	**–**	230
Interest earned on unlisted available-for-sale investments	**–**	195
Net foreign exchange gain	**–**	1,631
Dividend income from listed investments held for trading	**–**	76
Dividend income from listed available-for-sale investments	**–**	239
Gain on disposal of available-for-sale investments	**832**	6,738
Impairment loss recognised in respect of available-for-sale investments	**(3,926)**	(13)
Sundry income	**178**	188
	(2,888)	9,450

6. OTHER EXPENSES

The Group is in the process of various technical and quality improvements at the Group's coal mine in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority. Accordingly, the Group had no coal production and sales of coal during the six months ended 30 September 2010. Other expenses represent the direct labour costs, depreciation expense, consumables and other direct attributable costs related to the coal mining improvement expenditure.

In the opinion of the directors, based on the current state of the improvement work completed and taking into account the legal advice received, the Group is able to renew its mining rights at minimal costs before its expiry in December 2010 for a further period of 3 years.

7. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on borrowings wholly repayable within five years	**450**	–
Imputed interest expense on convertible notes	**13,082**	–
	13,532	–

8. TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**–**	335
Deferred tax – current period *(note 13)*	**(149)**	–
	(149)	335

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2009: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for taxation has been made as the group entities were incurred tax loss for the period.

9. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit for the period has been arrived at after charging:		
Allowance for slow moving inventories (included in cost of sales)	**1,500**	–
Property, plant and equipment written off	**–**	872
Depreciation of property, plant and equipment and investment property	**1,968**	842
Release of prepaid lease payments	**581**	–
Staff costs (including directors' emoluments)		
Fees, salaries, bonus and other allowances	**31,730**	19,309
Retirement benefit scheme contributions	**1,606**	1,662
Share-based payments	**5,497**	191
	38,833	21,162

10. DIVIDENDS

	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Final dividend paid for 2008/09 of HK$0.012 per share	**–**	5,028

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
<u>(Loss) earnings</u>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(82,590)**	8,696

	Six months ended 30 September 2010 '000	2009 '000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,809,854**	414,422
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	**–**	3,838
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,809,854**	418,260

Note: The computation of diluted loss per share for the period ended 30 September 2010 did not assume the exercise of the conversion rights of the Company's outstanding convertible notes and the Company's outstanding share options since their exercise would reduce loss per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTY

During the period, the Group spent approximately HK$72,647,000 (six months ended 30 September 2009: HK$1,184,000) on purchase of property, plant and equipment. There was no acquisition of prepaid lease payments and investment property for both periods.

During six months ended 30 September 2009, HK$872,000 of leasehold improvement was written off.

13. DEFERRED TAXATION

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

	Mining rights	Withholding tax arise from PRC subsidiaries	Revaluation of property, plant and equipment and prepaid lease payments	Tax losses	Total
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010 (audited)	(471,876)	(185)	(3,325)	390	(474,996)
Credit to profit or loss *(note 8)*	–	–	149	–	149
Exchange realignment	(2,710)	–	(19)	–	(2,729)
At 30 September 2010 (unaudited)	(474,586)	(185)	(3,195)	390	(477,576)

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

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

14. TRADE AND BILLS RECEIVABLES

The Group allows credit period of 30 to 60 days to its customers. The aged analysis of trade and bills receivables is stated as follows:

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**14,761**	7,349
31 to 60 days	**6,853**	1,816
61 to 90 days	**1,355**	149
Over 90 days	**208**	–
	23,177	9,314

15. RESTRICTED BANK DEPOSITS

On 25 January 2010, Win Team Investments Limited ("Win Team"), a wholly owned subsidiary of the Company had acquired the entire issued share capital of Merrymaking Investments Limited and Pleasing Results Limited (the "Acquisition") from Real Power Holdings Limited and TRXY Development (HK) Limited (collectively referred as "the Vendors").

Before the completion of the Acquisition, the Company, Win Team and the Vendors entered into a supplemental agreement on 22 December 2009 (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the Vendors have provided a specific indemnity to the Group against all or any loss or damages that may be incurred or suffered by the Group, as a result of certain outstanding litigations, fines and penalties, breaches of representations and warranties or certain liabilities uncovered during the due diligence review and investigation in respect to the Acquisitions ("Indemnity Obligations"). The estimated total losses and liabilities in respect to the Indemnity Obligations is amounted to US$16.81 million (equivalent to approximately HK$131.12 million).

Pursuant to the Supplemental Agreement, a bank account is opened, which is used solely to retain part of the cash consideration payable for the Acquisition of US$14.48 million (equivalent to approximately HK$112.94 million) to the Vendors ("Special Purpose Account"). The Group is entitled to set off any sums due to it by the Vendors in connection to the Indemnity Obligations against the monies in the Special Purpose Accounts.

As at 31 March 2010, approximately HK$76.54 million was settled and HK$54.59 million was retained in the restricted bank deposits for the future settlement of the remaining balance of the Indemnity Obligations. During the period, the restricted bank deposits were fully utilitised to settle the Indemnity Obligations.

16. TRADE PAYABLES

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

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**5,789**	2,963
31 to 60 days	**2,271**	1,133
61 to 90 days	**2,979**	652
91 to 180 days	**2,539**	1,153
	13,578	5,901

17. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES

The Group's convertible notes contain the following components:

(a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The effective interest rate of the liability component is 8.52% per annum.

(b) Embedded conversion option of the convertible notes represents the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

	Liability	**Embedded conversion option**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2010	369,294	392,765	762,059
Conversion during the period *(note i)*	(60,802)	(74,009)	(134,811)
Imputed interest charged *(note 7)*	13,082	–	13,082
Loss arising from change in fair value recognised in profit or loss *(note ii)*	–	30,021	30,021
At 30 September 2010	321,574	348,777	670,351

Notes:

(i) On 13 April 2010, principal amounts of approximately HK$116,266,000 of the convertible notes were converted into 132,121,021 shares of the Company at the conversion price of HK$0.88 per share.

(ii) There were restrictions imposed on the Vendors (as defined in note 15) under the terms and conditions of the convertible notes, whereby the Vendors shall not, and shall procure that its nominee shall not, without the prior written consent of the Company, transfer or otherwise dispose of any of the convertible notes or shares to be issued upon conversion of the convertible notes (i) as to an amount representing two-third of the principal amount of the convertible notes within the first twelve-month period following the date of issue of the convertible notes, being 25 January 2010; and (ii) as to an amount representing one-third of the principal amount of the convertible notes within the second twelve-month period following the date of issue of the convertible notes, being 25 January 2010.

On 25 June 2010, the Company granted a waiver of transfer restrictions on the convertible notes to the Vendors. As a result of the waiver, the fair value of the embedded conversion option increased by HK$28 million. However, other than the waiver of the transfer restriction, other conversion restrictions on the convertible notes are still applicable to the Vendors. Details of the other restrictions are set out in the Company's 2010 annual report.

The fair value of the embedded conversion option is calculated using the Binomial Option Pricing Model. The inputs into the model at 13 April 2010, the date of conversion, and 30 September 2010 were as follows:

	13 April 2010	**30 September 2010**
Share price *(note a)*	HK$1.0699	HK$1.00
Conversion price	HK$0.88	HK$0.88
Expected life *(note b)*	7.79 years	7.33 years
Risk free rate *(note c)*	2.58%	1.61%
Expected volatility *(note d)*	75.19%	73.27%

Notes:

(a) Based on the quoted market price adjusted for the transfer restriction as detailed in note (ii) above.

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

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

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

18. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
At 1 April 2010 and 30 September 2010, ordinary shares of HK$0.05 each	5,000,000,000	250,000
Issued and fully paid:		
At 1 April 2010, ordinary shares of HK$0.05 each	1,686,192,760	84,309
Exercise of share options *(Note a)*	400,000	20
Shares issued upon conversion of convertible notes *(Note b)*	132,121,021	6,606
At 30 September 2010, ordinary shares of HK$0.05 each	1,818,713,781	90,935

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

Notes:

(a) During the period ended 30 September 2010, share options of 310,000 and 90,000 of HK$0.05 each were exercised at the exercise price of HK$0.86 and HK$0.536 respectively. Details of options outstanding and movements during the period are set out in note 20.

(b) On 13 April 2010, 132,121,021 new ordinary shares of the Company of HK$0.05 each were issued upon the partial conversion of the convertible notes of the Company. Convertible notes with principal amount of approximately HK$116,266,000 was converted into 132,121,021 shares at the conversion price of HK$0.88 per share.

19. CAPITAL COMMITMENTS

(a) Operating lease commitments

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

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	**8,065**	5,302
Within 2-5 years	**8,797**	10,969
	16,862	16,271

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

(b) Capital commitments

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure in respect of addition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**126,690**	108,347
Capital expenditure in respect of addition of property, plant and equipment authorised but not contracted for	**343,382**	407,783

20. SHARE BASED PAYMENTS

On 16 May 2006, a Pre-Listing Share Option Scheme ("Pre-Listing Scheme") and a Share Option Scheme ("Post-Listing Scheme") were adopted for the purpose of recognising and motivating the contributions of eligible persons to the Company. As at 1 April 2010, all the share options granted under Pre-Listing Scheme were exercised or lapsed.

Details of the share options outstanding and movements during the current period were as follows:

Grantee	Name of the scheme	Date of grant	Exercising period	Exercise price per share *HK$*	Number of share options: Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2010
Directors									
Ma Lishan *(note a)*	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	6,000,000	–	–	6,000,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	6,000,000	–	–	6,000,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	8,000,000	–	–	8,000,000
Ng Cheuk Fan, Keith	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	1,500,000	–	–	1,500,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	1,500,000	–	–	1,500,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	2,000,000	–	–	2,000,000
Mak Yiu Tong *(note a)*	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	600,000	–	–	600,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	600,000	–	–	600,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	800,000	–	–	800,000
Fung Wing Ki, Vicky	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	600,000	–	–	600,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	600,000	–	–	600,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	800,000	–	–	800,000
Fung Ka Pun *(note b)*	Post-Listing Scheme	8.6.2007	8.6.2010 to 7.6.2013	0.860	240,000	–	–	–	240,000
	Post-Listing Scheme	1.4.2010	1.4.2011 to 31.3.2014	1.202	–	6,000,000	–	–	6,000,000
	Post-Listing Scheme	1.4.2010	1.4.2012 to 31.3.2015	1.202	–	6,000,000	–	–	6,000,000
	Post-Listing Scheme	1.4.2010	1.4.2013 to 31.3.2016	1.202	–	8,000,000	–	–	8,000,000
Tam Hok Lam, Tommy	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	(160,000)	–	–
Hui Ka Wah, Ronnie *(note c)*	Post-Listing Scheme	8.6.2007	9.6.2010 to 8.6.2013	0.860	160,000	–	–	(160,000)	–
Leung Man Chun, Paul *(note c)*	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	–	(160,000)	–

Grantee	Name of the scheme	Date of grant	Exercising period	Exercise price per share *HK$*	Number of share options: Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2010
Employees									
Li Shao Yu	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	5,700,000	–	–	5,700,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	5,700,000	–	–	5,700,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	7,600,000	–	–	7,600,000
Other employees	Post-Listing Scheme	8.6.2007	8.6.2008 to 5.7.2011	0.860	105,000	–	(75,000)	–	30,000
	Post-Listing Scheme	8.6.2007	8.6.2009 to 5.7.2012	0.860	105,000	–	(75,000)	–	30,000
	Post-Listing Scheme	8.6.2007	8.6.2010 to 5.7.2013	0.860	140,000	–	–	–	140,000
	Post-Listing Scheme	18.3.2008	18.3.2010 to 17.3.2013	0.536	90,000	–	(90,000)	–	–
	Post-Listing Scheme	18.3.2008	18.3.2011 to 17.3.2014	0.536	120,000	–	–	–	120,000
	Post-Listing Scheme	27.8.2010	1.9.2011 to 26.8.2014	0.800	–	2,400,000	–	–	2,400,000
	Post-Listing Scheme	27.8.2010	1.9.2012 to 26.8.2015	0.800	–	2,400,000	–	–	2,400,000
	Post-Listing Scheme	27.8.2010	1.9.2013 to 26.8.2016	0.800	–	3,200,000	–	–	3,200,000
	Post-Listing Scheme	27.9.2010	27.9.2011 to 26.9.2014	0.800	–	5,070,000	–	–	5,070,000
	Post-Listing Scheme	27.9.2010	27.9.2012 to 26.9.2015	0.800	–	5,070,000	–	–	5,070,000
	Post-Listing Scheme	27.9.2010	27.9.2013 to 26.9.2016	0.800	–	6,760,000	–	–	6,760,000
					1,280,000	92,900,000	(400,000)	(320,000)	93,460,000

Notes:

(a) Mr. Mak Yiu Tong and Mr. Ma Lishan were appointed as directors of the Company on 7 May 2010 and 1 September 2010 respectively.

(b) Mr. Fung Ka Pun, previously being advisor to the Group was appointed as director of the Company on 1 April 2010.

(c) Dr. Hui Ka Wah, Ronnie and Mr. Leung Man Chun, Paul were not offering themselves for re-election at the general annual meeting held on 27 September 2010.

On 1 April 2010, 27 August 2010 and 27 September 2010, the Company granted 20,000,000, 8,000,000 and 64,900,000 options at exercise price of HK$1.202, HK$0.8 and HK$0.8 per share respectively to directors and employees under the Post-Listing Scheme. The fair value of the share options granted determined at the dates of grant using Trinomial Option Pricing Model was approximately HK$13,480,000, HK$3,562,000 and HK$28,523,000 respectively. The fair value of the share option granted will be expensed on straight-line basis over the vesting period from 1 to 3 years.

In determining the fair value of the share options granted during the period. Trinomial Option Pricing Model has been used. The input into the model were as follows:

	Notes	**1 April 2010**	**27 August 2010**	**27 September 2010**
Share price at grant date		HK$1.16	HK$0.80	HK$0.79
Exercise price		HK$1.202	HK$0.80	HK$0.80
Expected life of options	*a*	4 to 6 years	4 to 6 years	4 to 6 years
Expected volatility	*b*	76.173% to 81.587%	75.069% to 80.272%	74.550% to 79.733%
Risk free rate	*c*	1.586% to 2.200%	0.787% to 1.290%	0.961% to 1.453%

Notes:

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

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

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

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

In the current period, share option expenses of approximately HK$5,497,000 (six months ended 30 September 2009: HK$191,000) has been recognised with a corresponding credit in the Group's share options reserve.

The closing price of the Company's shares immediately before 1 April 2010, 27 August 2010 and 27 September 2010, being the dates of grant of the share options during the period, were HK$1.21, HK$0.76 and HK$0.79 respectively.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.941 per share.

21. RELATED PARTY TRANSACTIONS

The remuneration of directors, represent the key management personnel of the Group, during the period was HK$6,364,000 (six months ended 30 September 2009: HK$713,000).

22. NON-CASH TRANSACTIONS

During the period, deposit paid for purchase of property, plant and equipment as at 31 March 2010 of HK$350,000 was transferred to property, plant and equipment.

During the period, the Group's convertible notes of HK$60,802,000 and derivative financial instruments of HK$74,009,000 were transferred into share capital of HK$6,606,000 and share premium of HK$128,205,000, as a result of the conversion of convertible notes.

23. EVENTS AFTER THE END OF THE INTERIM PERIOD

(i) On 4 October 2010, the Company announced that Champ Universe Limited ("Champ Universe"), a wholly owned subsidiary of the Company has entered into a non-legal binding memorandum of understanding ("MOU") with Tai Rong Xin Ye International Power Generation Inc. ("Tai Rong"), a company wholly owned by Ms. Li Shao Yu, who is a substantial shareholder and connected person of the Company. Pursuant to the MOU, Champ Universe intends to purchase the entire share capital of Venture Path Limited, which owns 拜城温州礦業開發有限公司一礦3號井 (No. 3 decline of Mine One of Baicheng Wenzhou Mining Development Co., Ltd) and is located at Baicheng Country, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. The consideration for this acquisition is not yet determined.

    Further announcement will be made by the Company in the event where a formal sale and purchase agreement in relation to the proposed acquisition has been entered into by the Group.

(ii) On 29 October 2010, 363,740,000 shares of the Company have been successfully placed to independent third parties at HK$0.90 per share. The net proceeds of approximately HK$319,082,000 are intended to be used as general working capital and for capital expenditure, and future possible acquisitions. At the date of placing, the closing market price of the Company's share was HK$0.90 per share.

INTERIM DIVIDEND

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 September 2010.

BUSINESS REVIEW

During the six months period ended 30 September 2010, we continued to stay focused as a coal mining developer in Inner Mongolia. We are also pressing ahead with the development of further prospects in Xinjiang during this reporting period.

Despite the delay caused by the March flooding accident occurred at Shenhua Wuhai Luotuoshan Coal Mine in Wuhai City, Inner Mongolia Autonomous Region, we nevertheless managed to commence the construction of the Tianyu coal washing plant and the technical improvement of Mine No. 1 in July 2010 after implementing certain safety measures and satisfying the local authority's safety requirement. In order to catch up with the time lost due to the suspension, we gave our full attention in meeting the construction progress timetable. We also put our focus on the cost and quality of our works and as a result, with our 100% effort, both the Tianyu coal washing plant and the technical improvement of Mine No. 1 are scheduled to be completed at the end of 2010. Moreover, the geological exploration, construction design, bidding and tendering, and the evaluation of Mine No. 4 have been completed and we are in the process of applying for approval of the technical improvement of Mine No. 4 with the relevant government departments. Technical improvement of Mine No. 4 is scheduled to be completed by the end of 2011.

As our coal mining business operation is still at the development stage during the reporting period, there was no revenue contribution made from this business sector. The revenue from Winbox packaging segment declined slightly period-on-period which is in line with the depressed market sentiment resulting from the financial crisis. The loss for the six months period ended 30 September 2010 was HK$82.6 million (2009: Profit of HK$8.7 million). The loss was mainly attributable to non-cash related loss during the reporting period, which was accounting treatment from the negative effect arising from fair value adjustment in derivative component and the recognition of imputed interest expense on the liability component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions. The loss was also attributable to the increase of production cost of sale of plastic and paper boxes for luxury consumer goods.

BUSINESS PROSPECT

Looking ahead, we are intending to acquire a coal mine in Xinjiang. We entered into a non-legally binding MOU on 4 October 2010. Based on the Preliminary Target Mine Report provided by the vendor, the target mine is located in Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. The target mine has a coal field area of approximately 5.9178 sq. km., with coal resources of approximately 106 million tonnes and recoverable reserves of approximately 51.248 million tonnes. The coal product of the target mine is gas coal and three of its seams are exploitable. The target mine is currently in operation. We consider the proposed acquisition to be an opportunity to further develop our coal mining business operation and to provide a solid base for the consolidation of coal reserves in enhancing the long-term growth potential of the Group.

We are in the progress in completing the Tianyu coal washing plant and the technical improvement of Mine No. 1 within schedule. We expect to commence trial operations in early 2011 and formal operations in March 2011. Revenue will be generated from these operations and thus will greatly improve our cash flow position. With a limited growth in supply and as the steel industry gradually recovers, the demand for domestic coking coal will pick up steadily and coking coal prices will continue to maintain at high level and are expected to continue rising. We are now in negotiations stage on the supply terms with many potential customers. Depending on our production schedule, we will finalize the terms over time prior to the commencement of our operations.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2010, the Group recorded a revenue derived from sales of plastic and paper boxes for luxury consumer goods of approximately HK$51.2 million, representing a decrease of approximately HK$2.2 million or 4.0% as compared with that of approximately HK$53.4 million for the same period of 2009. The drop in turnover was mainly attributable to the downturn market has not yet been recovered from the outbreak of the financial tsunami in late 2008 in the United States and Europe, and resulting in more cautious orders placed by our customers.

In addition, for the coal mining business of the Group, the coal mine is in the process of various technical and quality improvements in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority. Accordingly, the Group had no sales of coal during the six months ended 30 September 2010.

Cost of Sales

For the six months ended 30 September 2010, cost of sales was approximately HK$47.0 million, representing an increase of approximately HK$4.1 million or 9.6%, as compared with that of approximately HK$42.9 million for the same period of 2009. The increase was due to (i) the increase in staff costs as a result of the minimum wages enforcement in the PRC; (ii) the increase in raw materials cost due to the RMB appreciation against HKD continually; and (iii) the side effect of production efficiency was associated with moving plant to Dongguan from Shenzhen during the period.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the six months ended 30 September 2010 was approximately HK$4.2 million, representing a decrease of approximately HK$6.3 million or 60.0% as compared with that of approximately HK$10.5 million for the same period of 2009. Gross profit margin achieved at 8.2% during the period, representing a decrease from 19.7% for the same period of 2009.

Other income, gain and loss, Change in fair value of investments held for trading and Change in fair value of derivative financial instruments

For the six months ended 30 September 2010, the Group recorded a total net loss of approximately HK$33.0 million (2009: net gain of approximately HK$13.3 million) in other income, gain and loss, change in fair value of investments held for trading and change in fair value of derivative financial instruments. The loss were mainly attributable to (i) the negative effect arising from fair value adjustment in derivative component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions; (ii) the impairment loss recognized in respect of available-for-sale investment; and (iii) the decrease in gain on disposal of available-for-sale investments during the period.

Distribution and Selling Costs

For the six months ended 30 September 2010, distribution and selling costs were approximately HK$1.3 million, representing a decrease of approximately HK$0.1 million or 6.8% as compared with that of approximately HK$1.4 million for the same period of 2009.

Administrative Expenses

For the six months ended 30 September 2010, administrative expenses were approximately HK$33.8 million, representing a substantial increase of approximately HK$20.5 million or 153% as compared that of approximately HK$13.4 million for the same period of 2009. The increase were a result of (i) the non-cash share based payments expenses approximately HK$5.5 million arising from the amortisation of a total 92,900,000 newly granted share options to eligible participants by the Company as disclosed in the announcements during the period and the grants of share options were in line with the development of the Group; (ii) the increase in directors' remuneration and staff costs by approximately HK$5.5 million for the operational needs during the period; and (iii) the increase in rental expenses in Hong Kong, litigation expense associated with the litigation, of details which are set out in heading "Litigation" below, and land use tax in the PRC by approximately HK$5.1 million during the period.

Other Expenses

For the six months ended 30 September 2010, other expenses were approximately HK$5.3 million (2009: Nil) which represented the direct labour costs, depreciation expense, consumables and other direct attributable costs related to the coal mining improvement expenditure. The Group is in the process of various technical and quality improvements at the Group's coal mine in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority. Accordingly, the Group had no coal production and sales of coal during the six months ended 30 September 2010.

Finance Costs

For the six months ended 30 September 2010, finance costs were approximately HK$13.5 million (2009: Nil), which were mainly attributable to recognition of imputed interest expense of approximately HK$13.1 million on the liability component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions and interest on bank borrowing of approximately HK$0.4 million during the period.

Taxation

For the six months ended 30 September 2010, credit deferred tax was approximately HK$0.15 million (2009: income tax expense: HK$0.34 million), representing the adjustment of deferred tax arising from the amortization of prepaid lease payment in accordance with the tax regulations in the PRC during the period.

Owner's Attributable Loss

As a result of the reasons above, the net loss attributable to the Owners in the period was approximately HK$82.6 million (2009: owner's attributable profit of approximately HK$8.7 million)

Liquidity, Capital Structure and Financial Resources

The Group funds its operations from a combination of internal resources, equity fund raising, financial instruments and bank borrowing. As at 30 September 2010, the Group had cash and cash equivalents of approximately HK$134.0 million (31 March 2010: HK$302.7 million). The Group's working capital decreased to approximately HK$140.5 million from that of approximately HK$235.5 million as at 31 March 2010. Such decreases were mainly due to partial funds were used in Washing Plant construction, and civil and earthwork for Mine No. 4 in the PRC and settlements of other payable expenses. Gearing ratio (a ratio of total borrowings to total assets) as at 30 September 2010 was approximately 13.9%, representing a slight decrease compared that of 15.1% as at 31 March 2010.

The Group has pledged its leasehold land and buildings with carrying value of approximately HK$3.0 million (31 March 2010: HK$3.1 million) to secure the unutilised general banking facilities granted to the Group and no other assets pledged at the day of reporting (31 March 2010: The Group had pledged its leasehold land and buildings with carrying values of approximately HK$12.6 million with deposit placed with the third party amounted to RMB2.0 million (equivalent to approximately HK$2.3 million) to secure the outstanding bank borrowing).

Capital Commitment and Contingent Liabilities

As at 30 September 2010, there was capital commitment of approximately HK$126.7 million (31 March 2010: HK$108.3 million) and HK$343.4 million (31 March 2010: HK$407.8 million) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorised but not contracted for respectively.

Save as disclosed in this announcement and the tax audit initiated by the Inland Revenue Department on certain group companies as disclosed in the Annual Report 2009/2010, the Group had no material contingent liabilities as at the close of business on 30 September 2010.

Exposure to Fluctuations in Exchange Rates

The Group's sales are denominated mainly in United States dollars ("USD") and Euro ("EUR"). The Group's purchases and expenses are mostly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"), and some in EUR and USD. The Group has certain foreign currency bank balances, investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. As HKD is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HKD exchange rates. Therefore, exchange rate fluctuation of foreign currencies against the RMB and EUR may have favourable or adverse effects on the operating results of the Group. Except as disclosed, there was no material change in the Group's position in relation to foreign exchange exposure as disclosed in the Annual Report for the year ended 31 March 2010.

Employee Information

As at 30 September 2010, the Group had a total of approximately 1,600 employees in the PRC, Hong Kong and France. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-managed retirement benefit schemes for its employees in PRC and France. Remuneration packages are reviewed periodically.

The Group has also adopted a share option scheme. During the period, there were share options granted.

Significant Investment, Materials Acquisitions and Disposals

On 4 October 2010, the Company announced that Champ Universe, a wholly owned subsidiary of the Company has entered into a non-legal binding MOU with Tai Rong, a company wholly owned by Ms. Li Shao Yu, who is a substantial shareholder and connected person of the Company. Pursuant to the MOU, Champ Universe intends to purchase the entire share capital of Venture Path Limited, which owns 拜城温州礦業開發有限公司一礦3號井 (No. 3 decline of Mine One of Baicheng Wenzhou Mining Development Co., Ltd) and is located at Baicheng Country, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. The consideration for this acquisition is not yet determined.

Further announcement will be made by the Company in the event where a formal sale and purchase agreement in relation to the proposed acquisition has been entered into by the Group.

Litigation

Pursuant to an equity transfer agreement dated 18 August 2007 between Wuhai City Menggang and the then equity-holders of Tianyu Gongmao (the ''Original Equity-holders''), Wuhai City Menggang agreed to acquire the entire equity interest in Tianyu Gongmao from the Original Equity-holders at a cash consideration of RMB90 million, of which only RMB45 million has been paid by Wuhai City Menggang. Wuhai City Menggang did not settle the remaining consideration of RMB45 million because there was a dispute over the production capacity of Tianyu Gongmao.

A civil claim was brought by the Original Equity-holders to the PRC court against Wuhai City Menggang and pursuant to the first instance judgment handed down by the Wuhai City Intermediate People's Court (烏海市中級人民法院) in April 2009, Wuhai City Menggang was ordered to pay the remaining consideration of RMB45 million and the breach of contract fixed damages of RMB9 million to the Original Equity-holders. Wuhai City Menggang appealed to the Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) against the first instance judgment.

Upon the application of the Original Equity-holders, the Wuhai City Intermediate People's Court (烏海市中級人民法院) handed down the Civil Judgment (Wu Zhong Fa (2008) Min Yi Chu Zi No. 30) (烏中法(2008)民一初字第30號) on 19 January 2009 to freeze the entire equity interests in Tianyu Gongmao held by Wuhai City Menggang pending the outcome of the case. Pursuant to such order, Wuhai City Menggang would not be allowed to transfer or pledge its interest in, or receive any dividend from Tianyu Gongmao. The operation of Wuhai City Menggang and its subsidiaries however was not affected by such order or the litigation.

On 26 January 2010, Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) handed down the second instance judgment to reject the appeal of Wuhai City Menggang and upheld the first instance judgment. Wuhai City Menggang settled the case with the original equity holders by fulfilling the orders set out in the judgment in August 2010. As a result, the entire equity interest in Tianyu Gongmao held by Wuhai City Menggang, which were frozen upon the application of the original equity holders, have been released by the Wuhai City Intermediate People's Court (烏海市中級人民法院) on 26 August 2010.

In addition, the total litigation expenses associated with court order are of approximately RMB2.94 million, an increase of approximately RMB1.49 million compared with that of approximately RMB1.45 million in the Annual Report for the year ended 31 March 2010. The additional litigation expense was charged to the income statement for the six months ended 30 September 2010, but it would be indemnified by US$2.33 million convertible notes pledged to the Company by the vendor. The above settlement would not have any material impact on the financial position of the Group as a whole.

Purchase, Sales or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2010.

Refreshment of General Mandate

On 25 November 2010, an ordinary resolution to approve the proposed refreshment of General Mandate was duly passed by way of poll in the Extraordinary General Meeting ("EGM"). The refreshment of general mandate granted the Directors the authority to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

Compliance with Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on a quality board of Directors (the "Board"), sound internal control, transparency and accountability to all shareholders of the Company.

For the six months ended 30 September 2010, the Company has applied the principles of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with the CG Code, save for the deviation from Code Provision A.2.1 of the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not separate the roles of the chairman and chief executive officer. For the six months ended 30 September 2010, Mr. Ma Lishan, the Chairman, as well as the chief executive officer, (both appointed on 1 September 2010), was responsible for the overall control and management of the Company and the Group. The Company considered that the combination of the roles of chairman and chief executive officer could promote the efficient formulation and implementation of the Company's strategies which would enable the Group to capture business opportunities efficiently and promptly. The Company considered that through the supervision of its Board and its Independent Non-Executive Directors, a balancing mechanism exists so that the interests of the shareholders of the Company have been adequately represented. However, the Board will review the existing structure from time to time.

Audit Committee

The Company established an Audit Committee on 16 May 2006 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certificate Public Accountants. The terms of reference of the Audit Committee are consistent with the provisions as set out in the CG Code and are available on the Company's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2010 with the directors and external auditors.

By order of the Board of
Hao Tian Resources Group Limited
Ma Lishan
Chairman and CEO

Hong Kong, 29 November 2010

As at the date of this announcement, the board of directors comprises four Executive Directors, namely, Mr. Ma Lishan, Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Mr. Mak Yiu Tong; one Non-Executive Director, namely, Ms. Fung Wing Ki, Vicky; and three Independent Non-Executive Directors, namely, Dr. Tam Hok Lam, Tommy, J.P., Mr. Zhu Yongguang and Mr. Chan William.