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HAO TIAN RESOURCES GROUP LIMITED

昊天能源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended 30 September	
		2011	2010
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	72,033	51,197
Cost of sales		(52,525)	(46,989)
Gross profit		19,508	4,208
Other income, gain and loss	5	1,824	(2,888)
Distribution and selling costs		(1,900)	(1,272)
Administrative expenses		(39,029)	(27,047)
Other expenses		(7,715)	–
Change in fair value of investments held for trading		(64)	(132)
Change in fair value of derivative financial instruments		58,585	(30,021)
Finance costs	6	(23,636)	(13,082)

		Six months ended 30 September	
		2011	2010
		HK\$'000	HK\$'000
	NOTES	(unaudited)	(unaudited)
Profit (loss) before taxation		7,573	(70,234)
Taxation	7	<u>(517)</u>	<u>149</u>
Profit (loss) for the period from continuing operations	8	<u>7,056</u>	<u>(70,085)</u>
Discontinued operation			
Loss for the period from discontinued operation	14	<u>(15,365)</u>	<u>(12,505)</u>
Loss for the period		<u>(8,309)</u>	<u>(82,590)</u>
Other comprehensive income			
Exchange differences arising on translation		66,035	11,980
Fair value changes on available-for-sale investments		<u>(1,092)</u>	<u>(828)</u>
Other comprehensive income for the period		<u>64,943</u>	<u>11,152</u>
Total comprehensive income (expense) for the period		<u>56,634</u>	<u>(71,438)</u>
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic		<u>(HK0.32 cents)</u>	<u>(HK4.56 cents)</u>
Diluted		<u>(HK1.88 cents)</u>	<u>(HK4.56 cents)</u>
From continuing operations			
Basic		<u>HK0.27 cents</u>	<u>(HK3.87 cents)</u>
Diluted		<u>(HK1.38 cents)</u>	<u>(HK3.87 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

	NOTES	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	40,147	263,770
Prepaid lease payments	10	2,564	26,054
Investment property	10	1,009	1,025
Mining rights		1,537,336	1,988,480
Available-for-sale investments		11,972	13,061
Deposits for acquisition of subsidiaries	19	–	250,000
Deposits		7,271	90,854
Deferred tax asset	11	205	205
		<u>1,600,504</u>	<u>2,633,449</u>
Current assets			
Inventories		30,935	26,781
Trade and bills receivables	12	26,293	20,488
Other receivables, deposits and prepayments		6,477	11,259
Investments held for trading		119	184
Prepaid lease payments	10	–	1,129
Tax recoverable		4,934	2,934
Bank balances and cash		65,997	48,676
		<u>134,755</u>	<u>111,451</u>
Assets classified as held for sale	13	<u>2,710,516</u>	<u>–</u>
		<u>2,845,271</u>	<u>111,451</u>
Current liabilities			
Trade payables	15	13,847	14,811
Other payables, deposits received and accruals		19,595	31,909
Tax payable		3,452	2,060
		<u>36,894</u>	<u>48,780</u>
Liabilities associated with assets classified as held for sale	13	<u>882,487</u>	<u>–</u>
		<u>919,381</u>	<u>48,780</u>
Net current assets		<u>1,925,890</u>	<u>62,671</u>
Total assets less current liabilities		<u>3,526,394</u>	<u>2,696,120</u>

		30.9.2011	31.3.2011
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Retirement benefits obligations		1,222	1,203
Convertible notes	<i>16</i>	511,587	217,835
Embedded derivatives	<i>16</i>	122,297	180,882
Provision for restoration and environmental costs		6,310	–
Deferred tax liabilities	<i>11</i>	<u>–</u>	<u>496,365</u>
		641,416	896,285
Net assets		<u>2,884,978</u>	<u>1,799,835</u>
Capital and reserves			
Share capital	<i>17</i>	143,628	120,573
Convertible shares	<i>18</i>	360,340	–
Reserves		<u>2,381,010</u>	<u>1,679,262</u>
Total equity		<u>2,884,978</u>	<u>1,799,835</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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.

The principle 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 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011. In addition, the Group has applied the following accounting policies as they became applicable to the Group during the current interim period.

Warrants

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

Convertible shares

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

Convertible notes contain liability and equity components

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial assets for a fixed number of the Company's own equity instruments is classified as equity instrument. Early redemption option embedded in non-derivative host contract is not treated as a separate derivative when its risks and characteristics are closely related to those of the host contracts and are included in the liability component.

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

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

Embedded derivatives

Derivative embedded in non-derivative host contract is not treated as a separate derivative when its risks and characteristics are closely related to those of the host contracts and are included in the liability component.

Non-current assets held for sale

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

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

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

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments or interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC)-INT 14	Prepayments of a minimum funding requirement
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

The application of these new or revised HKFRSs had no material effect on the condensed consolidated financial statements for the current or prior accounting periods.

The Group has not early applied new or revised standards that have been issued after the date of the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosures of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ²
HKAS 19 (Revised)	Employee benefits ¹
HKAS 27 (Revised)	Separate financial statements ¹
HKAS 28 (Revised)	Investments in associates and joint ventures ¹
HK(IFRIC)-INT 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

² Effective for annual periods beginning on or after 1 July 2012.

The directors anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the 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 is currently organised into below operating divisions:

- (a) Sale of plastic and paper boxes for luxury consumer goods:
 - (i) France Operation – Dardel S.A.S.
 - (ii) China Operation – Winbox Company Limited, Dongguang Ever Green Plastic Manufacturing Company Limited, Winbox Plastic Manufacturing (Shenzhen) and Winpac Trading Co. Limited
- (b) Developing of underground coking coal mine, coal production and sale of coal (“Coal Mining Operations”):
 - (iii) Coal Mining Operation – Baicheng Wenzhou Mining Development Co., Ltd. (“Baicheng Wenzhou”) and Wuhai City Menggang Industrial Development Co., Ltd and its subsidiaries (collectively referred as the “Menggang Group”). Baicheng Wenzhou operates coal mine in the Xinjiang Uygur Autonomous Region, the PRC (“Xinjiang Coal Mining Operation”) and the Menggang Group operates coal mines in the Inner-Mongolia Autonomous Region in the PRC (“Inner-Mongolia Coal Mining Operation”)

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

During the period, the Group’s Inner-Mongolia Coal Mining Operation was considered as discontinued operation (*details are set out in notes 13 and 14*). The segment information reported below include the results of the Inner-Mongolia Coal Mining Operation, as the chief operating decision maker reviews the Coal Mining Operations as a whole to allocate resources to segments and to assess their performance.

No segment assets and liabilities are presented as the executive directors of the Company do not regularly review segment assets and liabilities.

Information regarding the above segments is reported below:

For the six months ended 30 September 2011

	Sale of plastic and paper boxes for luxury consumer goods			
	France Operation HK\$'000 (unaudited)	China Operation HK\$'000 (unaudited)	Coal Mining Operations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Revenue	16,830	54,532	671	72,033
Segment results	1,897	3,775	(17,771)	(12,099)
Other income, gain and loss				1,824
Central administration costs				(32,402)
Change in fair value of investments held for trading				(64)
Change in fair value of derivative financial instruments				58,585
Finance costs				(23,636)
Loss before taxation (both continuing operations and discontinued operation)				(7,792)
Add: loss for the period from discontinued operation				15,365
Profit before taxation from continuing operations				7,573

For the six months ended 30 September 2010

	Sale of plastic and paper boxes for luxury consumer goods			
	France	China	Coal Mining	Consolidated
	Operation	Operation	Operations	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	<u>11,495</u>	<u>39,702</u>	<u>–</u>	<u>51,197</u>
Segment results	<u>(215)</u>	<u>(8,435)</u>	<u>(12,207)</u>	(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				<u>(13,532)</u>
Loss before taxation (both continuing operations and discontinued operation)				(82,739)
Add: loss for the period from discontinued operation				<u>12,505</u>
Loss before taxation from continuing operations				<u>(70,234)</u>

If the Inner-Mongolia Coal Mining Operation were excluded from the segment information, the segment results for the six months ended 30 September 2011 will be increased by HK\$15,365,000 (six months ended 30 September 2010: HK\$12,207,000), and there is no impact to the segment revenue for both periods.

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.

5. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Dividend income from unlisted available-for-sale investment	766	–
Interest earned on bank deposits	93	28
Interest earned on listed available-for-sale investments	212	–
Gain on disposal of available-for-sale investments	–	832
Impairment loss recognised in respect of available-for-sale investments	–	(3,926)
Rental income	140	–
Sundry income	613	178
	<u>1,824</u>	<u>(2,888)</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Interest on convertible notes	<u>23,636</u>	<u>13,082</u>

7. TAXATION

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
Other jurisdiction	655	–
Deferred tax (<i>see note 11</i>)	<u>(138)</u>	<u>(149)</u>
	<u>517</u>	<u>(149)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 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 prior period.

8. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Profit (loss) for the period from continuing operations has been arrived at after charging:		
Allowance for slow moving inventories (included in cost of sales)	–	1,500
Depreciation of property, plant and equipment and investment property	1,548	1,055
Release of prepaid lease payments	91	8
Staff costs (including directors' emoluments)		
Fees, salaries, bonus and other allowances	33,505	28,910
Retirement benefit scheme contributions	1,238	1,482
Share-based payments	11,125	5,497
	45,868	35,889

Other expenses for the current period represents the costs incurred for the acquisition of assets through purchase of subsidiaries (*set out in note 19*) and the direct labour costs, depreciation expenses, consumables and other costs incurred during the suspension period of the operation of the coal mine of Baicheng Wenzhou (*set out in note 25*).

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<u>Loss</u>		
Loss for the purpose of basic loss per share	<u>(8,309)</u>	<u>(82,590)</u>
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative instruments of CN1 (<i>note 16</i>)	(58,585)	–
Interest on convertible notes of CN1	<u>9,116</u>	<u>–</u>
Loss for the purpose of diluted loss per share	<u>(57,778)</u>	<u>(82,590)</u>

The basis of denominators used is the same as those detailed in the calculation of basic and diluted earnings (loss) per share from continuing operations below.

From continuing operations

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Earnings (loss)</u>		
Loss for the period	(8,309)	(82,590)
Less: Loss for the period from discontinued operation	<u>15,365</u>	<u>12,505</u>
Earnings (loss) for the purpose of calculating basic earnings (loss) per share from continuing operations	<u><u>7,056</u></u>	<u><u>(70,085)</u></u>
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative instruments of CN1 (<i>note 16</i>)	(58,585)	–
Interest on convertible notes of CN1	<u>9,116</u>	<u>–</u>
Loss for the purpose of diluted loss per share	<u><u>(42,413)</u></u>	<u><u>(70,085)</u></u>
	Six months ended 30 September	
	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic per share	<u>2,637,271</u>	<u>1,809,854</u>
Effect of dilutive potential ordinary shares:		
Convertible notes, CN1 (<i>note 16</i>)	<u>431,882</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u><u>3,069,153</u></u>	<u><u>1,809,854</u></u>

Convertible shares of the Company for the period ended 30 September 2011 was not included in the calculation of the basic loss per shares as convertible shares are not participating equity instruments and the conditions for conversation (*as set out in note 18*) were not fulfilled.

The computation of diluted loss per share for the period ended 30 September 2011 did not assume the exercise of the conversion rights of the CN2 (*as defined in note 16*) and convertible shares since the assumed conversion of the CN2 and convertible shares, after considered the dilutive effect of the outstanding CN1, will increase the loss per share. Furthermore, the computation did not take into account the Company's outstanding share options and warrants, as the exercise price of the outstanding share options and warrants were higher than the average share price during the period.

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 assumed exercise would reduce loss per share.

From discontinued operation

Basic loss per share from discontinued operation is HK0.58 cents (six months ended 30.9.2010: HK0.69 cents) and diluted loss per share for the discontinued operation is HK\$0.50 cents (six months ended 30.9.2010: HK\$0.69 cents), based on the loss for the period from discontinued operation of HK\$15,365,000 (six months ended 30.9.2010: HK\$12,505,000) and the denominators detailed above for both basic and diluted earnings (loss) per share from continuing operations.

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

During the period, the Group spent approximately HK\$35,024,000 (six months ended 30 September 2010: HK\$72,647,000) on purchase of property, plant and equipment, in addition to those acquired through acquisition of subsidiaries (*see note 19*). There was no acquisition of prepaid lease payments and investment property for both periods, except for those prepaid lease payments acquired through acquisition of subsidiaries (*see note 19*) during the period.

In addition, during the period, a total of approximately HK\$305,797,000 of property, plant and equipment and prepaid lease payments was classified at assets classified as held for sales (*see note 13*).

11. DEFERRED TAXATION

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

	Mining rights <i>HK\$'000</i>	Withholding tax arise from PRC subsidiaries <i>HK\$'000</i>	Revaluation of property, plant and equipment and prepaid lease payments <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011 (audited)	(493,235)	(185)	(3,130)	390	(496,160)
Exchange realignment	(13,027)	–	(85)	–	(13,112)
Credit to profit or loss (<i>note 8</i>)	–	–	(138)	–	(138)
Transfer to liabilities associated with assets classified as held for sales	506,262	–	3,353	–	509,615
At 30 September 2011 (unaudited)	<u>–</u>	<u>(185)</u>	<u>–</u>	<u>390</u>	<u>205</u>

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

12. 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 presented based on the invoice date at the end of the reporting period is stated as follows:

	30.9.2011 <i>HK\$'000</i> (unaudited)	31.3.2011 <i>HK\$'000</i> (audited)
0 to 30 days	16,640	13,823
31 to 60 days	7,343	3,337
61 to 90 days	519	1,160
Over 90 days	<u>1,791</u>	<u>2,168</u>
	<u>26,293</u>	<u>20,488</u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

On 7 September 2011, the Group has entered into a sales and purchase agreement with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd. (the “Purchaser”). Pursuant to this sales and purchase agreement, the Group has conditionally agreed to dispose the Menggang Group (the “Disposal”), which operates the Group’s Inner-Mongolia Coal Mining Operation, for a cash consideration of RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000) (“Total Consideration”). In addition to the Total Consideration, the Purchaser is required to advance the Menggang Group RMB300,000,000 (equivalent to approximately HK\$365,190,000) (the “Settlement Fund”), which is used to repay the Menggang Group’s existing payables to third parties and the current account with the Company and its subsidiaries, before the completion of the Disposal. The Settlement Fund had been provided by the Purchaser during the current period and the Settlement Fund was payable to the Purchaser by the Menggang Group. As at 30 September 2011, unused fund was HK\$251,937,000, which was deposited in a special purpose bank account. The completion of the Disposal is subject to fulfilment of conditions precedent including, amongst others, the approval from shareholders of the Company and the approval from the relevant PRC government departments.

The assets and liabilities attributable to the Menggang Group to be sold within twelve months have been classified as an assets and liabilities held for sale and are separately presented in the condensed consolidated statement of financial position. The Group’s Inner-Mongolia Coal Mining Operations for the current period are presented as discontinued operation (*see note 14*) and the comparative figures were represented as to discontinued operation accordingly.

14. DISCONTINUED OPERATION

Discontinued operation represents the Group's Inner-Mongolia Coal Mining Operation (*see note 13*).

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The loss from discontinued operation for the current and prior periods is analysed as follows:		
Other income, gain and loss	1,425	–
Administrative expenses	(9,203)	(6,770)
Other expenses (<i>Note</i>)	(7,587)	(5,285)
Finance costs	–	(450)
Loss for the period from discontinued operation	<u>(15,365)</u>	<u>(12,505)</u>

Note: The Menggang Group is in the process of various technical and quality improvements at its coal mines to attain the safety standard in accordance with the new regulations imposed by the PRC authority. Accordingly, there are no coal production and sales of coal during both periods. Other expenses represent the direct labour costs, depreciation expense, consumables and other costs incurred during the suspension period.

15. 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 presented based on the invoice date at the end of the reporting period is stated as follows:

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
0 to 30 days	5,797	7,385
31 to 60 days	2,982	3,464
61 to 90 days	2,613	1,428
91 to 180 days	2,455	2,534
	<u>13,847</u>	<u>14,811</u>

16. CONVERTIBLE NOTES AND EMBEDDED DERIVATIVES

During the year ended 31 March 2010, the Group issued convertible notes with principal amount of HK\$1,050,345,000 with conversion price of HK\$0.88 per share as part of the consideration for the acquisition of the entire equity interest in Merrymaking Investments Ltd. and Pleasing Results Ltd., which owned the Menggang Group ("CN1") from Real Power Holdings Limited and TRXY Development (HK) Limited (collectively referred as "the Vendors"). CN1 is denominated in United States dollars, non-interest bearing and will be matured on 24 January 2018. As at 30 September 2011 and 31 March 2011, the outstanding principal amount of CN1 was approximately HK\$380,056,000. The Company has the right to cancel the CN1 up to the principal amount of US\$2.33 million (equivalent to approximately HK\$18.17 million) (the "Redemption Cap") at its option at any time prior to its maturity date, if any indemnity provided by the Vendors is not sufficient to keep the Group fully indemnified. As at 30 September 2011 and 31 March 2011, HK\$11,446,000 indemnified liabilities was settled through cancellation of the same principal amount of CN1.

The conversion rights of CN1 shall be exercised at any time prior to its maturity date by the convertible note holder if, immediately following the conversion (i) the Company will be able to meet the public float requirement under the Listing Rule; (ii) the convertible notes holder together with the parties acting in concert with it will not hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under The Code on Takeovers and Mergers issued by the Securities and Future Commission ("Takeover Code"); or (iii) the outstanding amount of the CN1 will not be less than the remaining amount of the Redemption Cap.

During the current period, the Group issued convertible notes with principal amount of HK\$575,000,000 with conversion price of HK\$0.77 per share as part of the consideration for the acquisition of assets through purchase of subsidiaries (*set out in note 19*) (“CN2”) from Tai Rong Xin Ye International Power Generation Inc., (“Tai Rong”) a company wholly owned by Ms. Li Shao Yu (“Ms. Li”), who is a substantial shareholder who is able to exercise significant influence to the Group and a connected person of the Company. CN2 is denominated in Hong Kong dollars, bear interest at 2% per annum and will be matured on 15 June 2016.

The Company may redeem CN2 at 100% of the principal amount, together with the accrual interests, in whole or in part at any time before the maturity date of the CN2. The redemption option is deemed to be closely related to the host debt instrument CN2 are transferable at any time at the option of the convertible notes holder. The conversion rights of CN2 shall be exercised at any time before the maturity date by the convertible notes holder if, immediately following the conversion (i) the Company will be able to meet the public float requirement under the Listing Rule; (ii) the convertible notes holder together with the parties acting in concert with it will not hold or control more than 25% in the Company’s voting powers at general meetings. Since the date of the issue of CN2 and up to present, Ms. Li and its concert parties owned more than 25% of the Company’s share capital, as such, Ms. Li and its concert parties are prohibited from exercising any of the convertible rights of CN2.

CN1 contains 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 for CN1 is 8.52% per annum; and
- (b) Embedded derivative represents the embedded conversion option of the CN1 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;

CN2 contains 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 for CN2 is 18.01% per annum. The liability component also includes the value of the redemption option as the redemption option is closely related to the host debt instrument; and
- (b) Equity component represents the embedded conversion option stated as equity to convert the liability into equity of the Company and the conversion will be settled by the exchange of fixed amount of cash or another financial asset for a fixed number of the Company's own equity.

	Liability	CN1 Embedded derivatives	CN2 Equity	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	217,835	180,882	–	398,717
At initial recognition of CN2	270,116	–	304,884	575,000
Interest charged	23,636	–	–	23,636
Gain arising from change in fair value recognised in profit or loss	–	(58,585)	–	(58,585)
At 30 September 2011	<u>511,587</u>	<u>122,297</u>	<u>304,884</u>	<u>938,768</u>

The fair value of the embedded conversion option of CN1 is calculated using the Binomial Option Pricing Model. The inputs into the model at 30 September 2011 were as follows:

	30 September 2011
Share price (<i>Note a</i>)	HK\$0.52
Conversion price	HK\$0.88
Expected life (<i>Note b</i>)	6.33 years
Risk free rate (<i>Note c</i>)	0.929%
Expected volatility (<i>Note d</i>)	<u>72.38%</u>

Notes:

- (a) Based on the quoted market price.
- (b) Expected life was the expected remaining life of the embedded conversion option.

- (c) The risk free rate 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.

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

	15 June 2011
Share price (<i>Note a</i>)	HK\$0.75
Conversion price	HK\$0.77
Expected life (<i>Note b</i>)	5 years
Risk free rate (<i>Note c</i>)	1.422%
Expected volatility (<i>Note d</i>)	<u>74.47%</u>

Notes:

- (a) Based on the quoted market price.
- (b) Expected life was the expected remaining life of the embedded conversion option.
- (c) The risk free rate 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.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.05 each		
<i>Authorised:</i>		
At 1 April 2011,	5,000,000,000	250,000
Increased on 15 July 2011	<u>5,000,000,000</u>	<u>250,000</u>
At 30 September 2011	<u><u>10,000,000,000</u></u>	<u><u>500,000</u></u>
<i>Issued and fully paid:</i>		
At 1 April 2011, ordinary shares of HK\$0.05 each	2,411,463,553	120,573
Shares issued upon conversion of convertible shares (<i>Note</i>)	<u>461,105,500</u>	<u>23,055</u>
At 30 September 2011, ordinary shares of HK\$0.05 each	<u><u>2,872,569,053</u></u>	<u><u>143,628</u></u>

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

Note: During the period, 461,105,500 new ordinary shares of the Company of HK\$0.05 each were issued upon the partial conversion of the convertible shares of the Company. 461,105,500 convertible shares with carrying amount of approximately HK\$345,829,000 was converted into 461,105,500 ordinary shares. The different between the carrying amount of the convertible shares converted and the share capital issued was transferred to share premium.

18. CONVERTIBLE SHARES

On 15 June 2011, 941,558,441 convertible shares were issued by the Company as part of the consideration for the acquisition of assets through purchase of subsidiaries (*set out in note 19*). Fair value of the convertible shares at the date of issue, based on the market price of the ordinary shares of the Company was HK\$706,169,000. During the period, 461,105,500 convertible shares with carrying amount of HK\$345,829,000 were converted into ordinary shares. As at 30 September 2011, total 480,452,941 convertible shares with carrying amount of HK\$360,340,000 were outstanding.

Convertible shares issued by the Company have the same right on return of capital on liquidation or otherwise, but do not carry voting right and do not entitle to dividend or other distribution. Each convertible share can be converted at any time into one ordinary share of the Company, given that, immediately following the conversion, the Company will be able to meet the public float requirement under the Listing Rules and the relevant convertible shareholder, together with the parties acting in concert with it will not hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code. The convertible shares are transferable at any time at the option of the convertible shareholder and the convertible shares are not redeemable and have no maturity period. As at 30 September 2011, the convertible shareholder was not able to convert its convertible shares as the conversion will cause the convertible shareholder to hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code.

19. ACQUISITION OF ASSETS THROUGH PURCHASE OF SUBSIDIARIES

On 28 January 2011, the Company, Champ Universe Limited, a wholly owned subsidiary of the Company and Tai Rong entered into a sale and purchase agreement, pursuant to which, Champ Universe Limited agreed to acquire the entire interest of Venture Path Limited and its subsidiaries (collectively referred as the "Venture Path Group") from Tai Rong at an aggregate consideration with fair value of HK\$1,531,169,000, satisfied by (i) HK\$250,000,000 cash consideration; (ii) HK\$575,000,000 by issue of the convertible notes; and (iii) HK\$706,169,000 by the issue of the convertible shares. The Venture Path Group is principally engaged in mining of fine coal and lump coal in Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. As at 31 March 2011, the Company paid HK\$250,000,000 to Tai Rong as deposits for the Acquisition. The Acquisition was completed on 15 June 2011.

Assets and liabilities recognised at the date of acquisition:

	<i>HK\$'000</i>
Property, plant and equipment	19,251
Prepaid lease payments	1,952
Mining right (<i>Note</i>)	1,520,465
Deposits	5,988
Inventories	780
Trade and other receivables	1,132
Bank balances and cash	273
Trade and other payable	(11,168)
Tax liabilities	(1,359)
Provision for restoration and environmental costs	(6,145)
Net assets and liabilities acquired	<u><u>1,531,169</u></u>

Total consideration satisfied by:

	<i>HK\$'000</i>
Cash deposit paid and included in deposit and paid for acquisition of subsidiaries	250,000
Convertible notes	575,000
Convertible shares	<u>706,169</u>
	<u><u>1,531,169</u></u>

Net cash outflow arising on acquisition:

Net cash consideration paid	—
Bank balances and cash acquired	<u>273</u>
	<u><u>273</u></u>

Note: The mining right acquired will be expired in December 2016. From the opinion of the directors based on the advice from the Company's legal counsel, the Group will be entitled to renew the mining right upon the expiration at minimal cost.

20. COMMITMENTS

(a) *Operating lease commitments*

The Group as lessee

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

	30.9.2011	31.3.2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within one year	3,268	5,486
Within 2-5 years	<u>6,332</u>	<u>6,025</u>
	<u><u>9,600</u></u>	<u><u>11,511</u></u>

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.

The Group as lessor

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

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Within one year	420	–
Within two to five years	1,778	–
After five years	308	–
	<u>2,506</u>	<u>–</u>

(b) Other commitments

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Capital expenditure in respect of acquisition of subsidiaries (<i>Note</i>)	<u>–</u>	<u>1,300,000</u>
Capital expenditure in respect of addition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>6,024</u>	<u>130,328</u>
Capital expenditure in respect of addition of property, plant and equipment authorised but not contracted for	<u>357,521</u>	<u>167,330</u>

Note: The acquisition of subsidiaries was completed during the current period as set out in note 19.

In accordance with the relevant rules and regulations issued by the Xinjiang Regulatory in 2008, Baicheng Wenzhou was required to pay an ecological rehabilitation deposit upon the receipt of formal notice from the Xinjiang Uyghur Autonomous Region Finance Department and Land Resource Department. Baicheng Wenzhou received the formal notification on 30 October 2009. The notification required payment of approximately RMB3,213,000 (approximately HK\$3,911,000) to a specific bank account opened by Baicheng Wenzhou upon receipt of the notification and then yearly payment of RMB689,000 (approximately to HK\$829,000) from 2010 to 2016 for a total amount of RMB8,036,000 (approximately HK\$9,714,000). Baicheng Wenzhou is not allowed to withdraw the deposit until the completion of all ecological rehabilitation activities after the cessation of mining activities. As at 30 September 2011, RMB3,902,000 (approximately HK\$4,740,000) was deposited in the bank account and recognised as long term deposits and the unsettled deposits of RMB4,134,000 (approximately HK\$4,974,000) was regarded as commitment to the Group.

21. SHARE BASED PAYMENTS

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

Grantee	Date of grant	Exercising period	Exercise price per share HK\$	Number of share options				
				Outstanding at 1 April 2011	Exercise during the period	Granted during the period	Forfeited during the period	Outstanding at 30 September 2011
Directors/former directors								
Ma Lishan	27.9.2010	27.9.2011 to 26.9.2014	0.800	6,000,000	–	–	–	6,000,000
	27.9.2010	27.9.2012 to 26.9.2015	0.800	6,000,000	–	–	–	6,000,000
	27.9.2010	27.9.2013 to 26.9.2016	0.800	8,000,000	–	–	–	8,000,000
Fung Ka Pun (Note a)	8.6.2007	8.6.2010 to 7.6.2013	0.860	240,000	–	–	–	240,000
	1.4.2010	1.4.2011 to 31.3.2014	1.202	6,000,000	–	–	–	6,000,000
	1.4.2010	1.4.2012 to 31.3.2015	1.202	6,000,000	–	–	–	6,000,000
	1.4.2010	1.4.2013 to 31.3.2016	1.202	8,000,000	–	–	–	8,000,000
Ng Cheuk Fan, Keith (Note a)	27.9.2010	27.9.2011 to 26.9.2014	0.800	1,500,000	–	–	–	1,500,000
	27.9.2010	27.9.2012 to 26.9.2015	0.800	1,500,000	–	–	–	1,500,000
	27.9.2010	27.9.2013 to 26.9.2016	0.800	2,000,000	–	–	–	2,000,000
Mak Yiu Tong	27.9.2010	27.9.2011 to 26.9.2014	0.800	600,000	–	–	–	600,000
	27.9.2010	27.9.2012 to 26.9.2015	0.800	600,000	–	–	–	600,000
	27.9.2010	27.9.2013 to 26.9.2016	0.800	800,000	–	–	–	800,000
Fung Wing Ki, Vicky (Note a)	27.9.2010	27.9.2011 to 26.9.2014	0.800	600,000	–	–	–	600,000
	27.9.2010	27.9.2012 to 26.9.2015	0.800	600,000	–	–	–	600,000
	27.9.2010	27.9.2013 to 26.9.2016	0.800	800,000	–	–	–	800,000

Grantee	Date of grant	Exercising period	Exercise price per share HK\$	Number of share options				
				Outstanding at 1 April 2011	Exercise during the period	Granted during the period	Forfeited during the period	Outstanding at 30 September 2011
Other employees	8.6.2007	8.6.2008 to 5.7.2011	0.860	30,000	–	–	(30,000)	–
	8.6.2007	8.6.2009 to 5.7.2012	0.860	30,000	–	–	(30,000)	–
	8.6.2007	8.6.2010 to 5.7.2013	0.860	140,000	–	–	(40,000)	100,000
	27.8.2010	1.9.2011 to 26.8.2014	0.800	1,950,000	–	–	–	1,950,000
	27.8.2010	1.9.2012 to 26.8.2015	0.800	1,950,000	–	–	–	1,950,000
	27.8.2010	1.9.2013 to 26.8.2016	0.800	2,600,000	–	–	–	2,600,000
	27.9.2010	27.9.2011 to 26.9.2014	0.800	10,170,000	–	–	–	10,170,000
	27.9.2010	27.9.2012 to 26.9.2015	0.800	10,170,000	–	–	–	10,170,000
	27.9.2010	27.9.2013 to 26.9.2016	0.800	13,560,000	–	–	–	13,560,000
	8.4.2011	8.4.2012 to 8.4.2015	0.740	–	–	2,160,000	(210,000)	1,950,000
	8.4.2011	8.4.2013 to 7.4.2016	0.740	–	–	2,160,000	(210,000)	1,950,000
	8.4.2011	8.4.2014 to 7.4.2017	0.740	–	–	2,880,000	(280,000)	2,600,000
				<u>89,840,000</u>	<u>–</u>	<u>7,200,000</u>	<u>(800,000)</u>	<u>96,240,000</u>

Note a: Mr. Fung Ka Pun, Mr. Ng Cheuk Fan, Keith and Ms. Fung Wing Ki, Vicky were resigned as directors effective from 21 September 2011.

On 8 April 2011, the Company granted 7,200,000 options at exercise price of HK\$0.74 per share respectively to employees. The fair value of the share options granted determined at the date of grant using Trinomial Option Pricing Model was approximately HK\$2,965,000. The fair value of the share option granted will be expensed on straight-line basis over the vesting period from 1 to 3 years.

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

	Notes	8 April 2011
Share price at grant date		HK\$0.74
Exercise price		HK\$0.74
Expected life of options	<i>a</i>	4 to 6 years
Expected volatility	<i>b</i>	63.34% to 68.67%
Risk free rate	<i>c</i>	1.60% to 2.22%

Notes:

- (a) The expected life of options ranges from 4 to 6 years from the date of grant.
- (b) Expected volatility was estimated by calculating the historical weekly share price volatility of the comparable companies engaged in similar businesses as the Group's various business segments.
- (c) The risk free rate 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.

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

In the current period, share option expenses of approximately HK\$11,125,000 (six months ended 30 September 2010: HK\$5,497,000) has been recognised with a corresponding credit in the Group's share options reserve.

22. RELATED PARTY TRANSACTIONS

During the period, the Group acquired the Venture Path Group from Tai Rong, a company owned by Ms. Li. Details are set out in note 19.

The remuneration of directors, represent the key management personnel of the Group, during the period was HK\$7,997,000 (six months ended 30 September 2010: HK\$6,364,000).

23. NON-CASH TRANSACTIONS

During the period, the consideration for the Acquisition was satisfied by the issuance of convertible notes of HK\$575,000,000, convertible shares of HK\$706,169,000 and HK\$250,000,000 transferred from deposits paid for acquisition of subsidiaries.

During the period, part of the issued convertible shares with carrying amount of HK\$345,829,000 was transferred into share capital of HK\$23,055,000 and share premium of HK\$322,774,000, as result of the conversion of convertible shares.

During the six months ended 30 September 2010, deposit paid for purchase of property, plant and equipment as at 31 March 2010 HK\$350,000 was transferred to property, plant and equipment.

During the six months ended 30 September 2010, 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.

24. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

25. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 7 July 2011, the relevant PRC authorities (“Relevant Authorities”) have issued notices to Baicheng Wenzhou (the “Notice”), and requested Baicheng Wenzhou to address certain safety issues, including, inter alia, (i) the implementation of measures regarding methane level in its coal mine by installation of ventilation; and (ii) the inadequacies of its ventilation system. The Relevant Authorities ordered Baicheng Wenzhou to suspend production with immediate effect, pending rectification of the said safety issues (the “Suspension Order”).

Subsequent to the end of the reporting period, Baicheng Wenzhou has successfully rectified the said safety issues through installation of ventilation system and such rectification has been inspected and approved by the Relevant Authorities in mid November 2011. The Group expect the Relevant Authorities will disannul the Suspension Order in early December 2011 and Baicheng Wenzhou could resume its operation in December 2011.

INTERIM DIVIDEND

The board of directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2011.

BUSINESS AND FINANCIAL REVIEW

Coal Mining Business

The technological improvement of the Group’s Mine No. 1 in Wuhai City, Inner Mongolia Autonomous Region has already completed by the end of July, while Mine No. 4 is still at its final stage of development. However, as the Board commenced discussion in mid-July 2011, with respect to the “內蒙古自治區煤炭企業兼併重組工作方案” (“Working Proposal on Merger and Reorganization of Coal Enterprises in Inner Mongolian Autonomous Region”) issued by the Inner Mongolian Autonomous Region Government, has been considering the dispose of Mine No. 1 and No. 4 in Wuhai City, Inner Mongolia. Therefore, the 2 mines did not commence any production. Accordingly, during the Period under Review, no revenue was recorded from the mining business in Wuhai City, Inner Mongolia.

According to the “Working Proposal on Merger and Reorganization of Coal Enterprises in Inner Mongolian Autonomous Region”’s key point, by the end of 2013, coal mine operators with an annual production capacity of less than 1,200,000 tonnes will be eliminated. As for operators located in areas with promising prospect, the minimum requirement of annual production capacity may be lifted up to 3,000,000 tonnes. The elimination will be effected by a process of mergers, acquisitions and restructuring and the list of existing mine operators in Inner Mongolia will be classified as “acquirers” and “acquirees”. The Group’s Mine No. 1 and No. 4 in Wuhai City, Inner Mongolia will likely be subject to the above government restructuring proposal and, taking into account their annual production capacity, may be liable to be eliminated. Alternatively, the Company estimates that an investment of not less than RMB2 billion will be required in order for the Mines and the Group to be classified as an “acquirer” per the said restructuring proposal. In the event the said proposal become effective or the Company or its subsidiary falls within the said list of “acquirees”, the Mines will likely be prohibited by the PRC authorities from commencing production until they are acquired by “acquirers” specified in the above proposal. After assessing the Group’s capability and prospect of further investment in the Inner Mongolia coal industry, and the uncertain prospect and outlook brought by the recently imposed government policies the Group decided to dispose of the Mines.

The Group has successfully acquired the coal mine in Baicheng (“Baicheng coal mine”), Xinjiang Uygur Autonomous Region on 15 June 2011, and has then resumed the production preparation. However, as the relevant PRC governmental authorities have issued notices to the Baicheng coal mine that required it to suspend production in July 2011 to deal with certain safety issues, including, inter alia, the implementation of measures regarding gas levels in the Baicheng coal mine and the inadequacies of its ventilation system. The Company has rectified the safety issues of the Baicheng coal mine in response to the requests of the PRC governmental authorities. The improvement of ventilation system was completed by the end of October 2011 and inspected by the relevant PRC governmental authorities in mid-November 2011, and it is expected that the Baicheng coal mine can resume production in late December 2011. Moreover, new mining shafts with an annual production capacity of 900,000 tonnes are still pending for the approval from the government of the Xinjiang Autonomous Region, while Baicheng coal mine has started the preparation for preliminary technological improvement, including the design of shafts, according to the plan aiming at an annual production capacity of 900,000 tonnes. During the Period under Review, the production of Baicheng coal mine was approximately 3,400 tonnes, and the gain from the sale of raw coal from continuing operation was approximately RMB553,000 (approximately equivalent to HK\$671,000).

Packaging Box Business

The global economic recovery drove the demand for high-end consumer good’s plastic boxes and paper boxes to increase. Accordingly, the Group’s packaging segment revenue increased by 39.4% to HK\$71,362,000 (2010: HK\$51,197,000) as compared with the same period last year. The profit margin was benefited by the significant increase product sales, and thus offsetting the effect caused by ever rising direct labour costs and costs of raw materials and the continuous appreciation of Renminbi. During the Period under Review, the profit margin increased significantly to approximately 26.5% (2010: 8.2%), while the gross profit increased to approximately HK\$18,911,000 (2010: HK\$4,208,000).

Business prospects

Looking forward, with the agreement on the exploration of Qinghai Muli Coalfield and the investment in deep processing projects of coal chemicals between the Group and Qinghai Muli Coal Development Group Co., Ltd., the Group will comply with the Government's essence in the consolidation of mines to participate in the consolidation of the Qinghai Muli Coalfield and be actively involved in the investment of deep processing projects of coal chemicals. Apart from the investment in coalfields in Qinghai, the Group also entered into a strategic cooperation framework agreement with Xinjiang Production and Construction Corps State-owned Assets Operation Company to form a strategic cooperation relationship and actively implement the cooperation by fully utilizing the respective advantages of both parties, as well as providing mutual support and service for the development in various aspects, including coal, chemicals, petroleum, natural gas and nonferrous metal, quickly facilitate the industrialized conversion of Xinjiang's resources.

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 2011, the Group recorded a total net gain from continuing operations of approximately HK\$60.3 million (2010: net loss of approximately HK\$33.0 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 gain were mainly contributed by (i) the positive effect arising from fair value adjustment in derivative component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions and (ii) there was dividend income from unlisted available-for-sale investment and an increase in sundry income.

Distribution and Selling Costs

For the six months ended 30 September 2011, distribution and selling costs from continuing operations were approximately HK\$1.9 million (2010: HK\$1.3 million), representing an increase of approximately HK\$0.6 million or 46.2% as compared with the same period in 2010. The increase was in line with the movement of sales during the periods.

Administrative Expenses

For the six months ended 30 September 2011, administrative expenses from continuing operations were approximately HK\$39.0 million (2010: HK\$27.0 million), representing a substantial increase of approximately HK\$12.0 million or 44.4% as compared with the same period in 2010. The increase was mainly contributed by (i) non-cash share based payments expenses approximately HK\$11.1 million (2010: HK\$5.5 million) arising from the amortisation of the granted share options to eligible participants by the Company; and (ii) the inclusion of three and half months' administrative expense from the Venture Path Group, which the acquisition was completed on 15 June 2011.

Other Expenses

For the six months ended 30 September 2011, other expenses from continuing operations were approximately HK\$7.7 million (2010: HK\$nil) which represented the costs incurred for the acquisition of assets through purchase of subsidiaries and the direct labour costs, depreciation expenses, consumables and other costs incurred during the suspension period of the operation of the coal mine of Baicheng Wenzhou.

Finance Costs

For the six months ended 30 September 2011, finance costs from continuing operations were approximately HK\$23.6 million (2010: HK\$13.1 million), which were mainly attributable to the recognition of interest expenses on the liability component of the convertible notes issued by the Company on 25 January 2010 and 15 June 2011 for the acquisitions.

Taxation

For the six months ended 30 September 2011, the Group's income tax expense from continuing operations of approximately HK\$0.52 million (2010: credit deferred tax HK\$0.15 million) representing the result of income tax expense from Hong Kong of approximately HK\$0.66 million and the credit adjustment of deferred tax approximately HK\$0.14 million arising from 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 gain from continuing operations attributable to the Owners in the period was approximately HK\$7.1 million (2010: net loss of approximately HK\$70.0 million). In addition, the net loss from discontinued operation, which represents the Group's Inner-Mongolia Mining Operation, attributable to the Owners in the period was approximately HK\$15.4 million (2010: HK\$12.5 million). As a result, the total net loss from continuing operation and discontinued operation attributable to the Owners in the period was approximately HK\$8.3 million (2010: HK\$82.6 million).

Liquidity, Capital Structure and Financial Resources

The Group funds its operations from a combination of internal resources, equity fund raising and financial instruments. As at 30 September 2011, the Group had cash and cash equivalents of approximately HK\$66.0 million (31 March 2011: HK\$48.7 million). The Group's working capital increased to approximately HK\$1,925.9 million (31 March 2011: HK\$62.7 million). Such increase were mainly due to the non-current assets of Menggang Group were classified as current assets as held for sale. Gearing ratio (a ratio of total borrowings to total assets) as at 30 September 2011 was approximately 11.5% (31 March 2011: 7.9%), such increase was mainly due to the liability component of new convertible bond issued on 15 June 2011 for the acquisition of Venture Path Group.

The Group has pledged its leasehold land and buildings with carrying value of approximately HK\$2.9 million (31 March 2011: HK\$3.0 million) to secure the unutilised general banking facilities granted to the Group and no other assets pledged at the day of reporting.

Capital Commitment and Contingent Liabilities

As at 30 September 2011, there were capital commitments of approximately HK\$6.0 million (31 March 2011: HK\$130.3 million) and HK\$357.5 million (31 March 2011: HK\$167.3 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, the Group had no material contingent liabilities as at the close of business on 30 September 2011.

Exposure to Fluctuations in Exchange Rates

The Group's sales are denominated mainly in Hong Kong dollars ("HKD"), United States dollars ("USD") and Euro ("EUR"). The Group's purchases and expenses are mostly denominated in 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. 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 arises.

Employee Information

As at 30 September 2011, the Group had a total of approximately 1,500 employees (31 March 2011: 1,650 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 and a summary of the share option schemes of the Group will be set out in the interim report 2011/12.

Significant Investment, Materials Acquisitions and Disposals

On 7 September 2011, the Group has entered into a sales and purchase agreement (the "Agreement") with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd (the "Purchaser"). Pursuant to the Agreement, the Group has conditionally agreed to dispose the Menggang Group (the "Disposal Group") for a cash consideration of RMB1,503,000,000 (Approximately equivalent to HK\$1,832,927,000). In addition to the total consideration, the Purchaser required to advance the Disposal Group of RMB300,000,000 (approximately equivalent to HK\$365,190,000), which is used to repay the Disposal Group's existing indebtedness and current account with the Company and its subsidiaries before the completion of sale of the Disposal Group. The completion of sale of the Disposal Group is subject to fulfillment of conditions precedent including, amongst others, the approval from shareholders of the Company and approval from the relevant PRC government departments.

Save as disclosed above, the Group did not have other significant investment, material acquisition and disposals as at period ended 30 September 2011.

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 period ended 30 September 2011.

REFRESHMENT OF GENERAL MANDATE

On 19 September 2011, an ordinary resolution to approve the proposed refreshment of General Mandate was duly passed by way of poll in the Annual General Meeting ("AGM"). 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 AGM.

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 2011, 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 2011, Mr. Ma Lishan, the Chairman, as well as the chief executive officer, 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 2011 with the directors and external auditors.

By Order of the Board of
Hao Tian Resources Group Limited
Ma Lishan
Chairman & CEO

Hong Kong, 28 November 2011

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ma Lishan and Mr. Mak Yiu Tong; and three independent non-executive Directors, namely Dr. Tam Hok Lam, Tommy, J.P., Mr. Zhu Yongguang and Mr. Chan William.