

TAUNG GOLD | TAUNG GOLD INTERNATIONAL LIMITED
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

ANNUAL REPORT 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Hok Yin (*Co-chairman*)
Mr. Christiaan Rudolph de Wet de Bruin
(*Co-chairman*) (*Appointed on 26 April 2013*)
Mr. Neil Andrew Herrick
(*Chief Executive Officer*)
(*Appointed on 26 April 2013*)
Ms. Cheung Pak Sum
Mr. Igor Levental
(*Appointed on 19 August 2013*)
Dr. David Twist
(*Appointed on 26 April 2013 and*
resigned on 19 August 2013)
Mr. Stefanus David Steyn
(*Appointed on 26 April 2013 and*
resigned on 19 August 2013)

Independent Non-Executive Directors

Mr. Chui Man Lung, Everett
Mr. Li Kam Chung
Mr. Walter Thomas Segsworth
(*Appointed on 19 August 2013*)
Mr. Hui Wah Tat, Anthony
(*Resigned on 26 April 2013*)

COMPANY SECRETARY

Mr. Tung Yee Shing
(*Appointed on 1 August 2013*)
Mr. Choi Wing Koon
(*Resigned on 22 April 2013*)

AUTHORISED REPRESENTATIVES

Mr. Li Hok Yin
Ms. Cheung Pak Sum

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON HONG KONG LAW

D.S. Cheung & Co. Solicitors

LEGAL ADVISERS ON BERMUDA LAW

Appleby

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1901, 19/F, Nina Tower
8 Yeung Uk Road, Tsuen Wan
New Territories, Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM12, Bermuda

COMPANY WEBSITE

www.taunggold.com

CHAIRMAN'S STATEMENT

Dear Shareholders and Employees,

Firstly and most importantly, I would like to thank all of our employees, management and directors, in both Hong Kong and South Africa, for their dedication and hard work over the past couple of years. I would further like to express our deepest gratitude and regards to shareholders for your support, patience and understanding as the Company has emerged from its recent period of suspension.

The Company places utmost value on the safety and health of its employees and to conducting its business in a socially and environmentally responsible manner. To this end, the Company and its subsidiaries are committed to maintaining sound relationships with all of its stakeholders.

I am pleased to present, on behalf of the Board of Directors, the annual report of Taung Gold International Limited (the "Company" or "Taung Gold") and its subsidiaries (collectively the "Group") for the period ended 31 March 2013 (the "Year").

ANNUAL REVIEW

Since the completion of the Settlement Agreement on 26 April last year Taung Gold has been working non-stop to fulfill the conditions for the resumption of trade in its shares and this significant milestone was realised on 2 May 2014, shortly after the Board had approved all of the outstanding financial statements on 29 April.

After our people, the Company's greatest asset is the very substantial gold endowment at its two flagship projects, Evander Six Shaft and Jeanette, both located in established mining areas in South Africa. Since the publication of the 2011 Circular the combined Measured and Indicated Resource for the two projects has increased from 11.725Moz Au to 15.4Moz Au (+31%) and it is on this enlarged Measured and Indicated Resource that work has continued during the suspension period:

EVANDER PROJECT

Design, scheduling and financial modeling work for the project continued unabated during the period of suspension and the Company will be publishing the results of the bankable feasibility study for the project by the second quarter of the new financial year. Most notably, the acquisition of the project from Evander Gold Mines Limited and Harmony Gold Mining Company Limited became unconditional on 6 June 2012 when the Minister Of Mineral Resources granted Section 11 Consent for the Mining Right under the Minerals and Petroleum Resources Development Act ("MPRDA") and the Deed of Cession was registered at the Minerals and Petroleum Titles Registration Office ("MPTRO") in the name of Taung Gold (Secunda) Proprietary Limited, a wholly-owned subsidiary of Taung Gold Proprietary Limited ("TGL"), on 20 November 2013, completing ownership of the project in the name of the Group. The project is economically robust, will continue to demonstrate very competitive cash and all-in sustaining costs and is now moving into the development phase.

CHAIRMAN'S STATEMENT

JEANETTE PROJECT

The pre-feasibility study for the Jeanette Project was initiated during the first quarter of 2013 and is scheduled for completion by July 2014. Consent for the transfer of the Jeanette Prospecting Right was granted by the Minister of Mineral Resources on 29 September 2010 and the registration of the Deed of Cession at the MPTR0 in the name of Taung Gold (Free State) Proprietary Limited, a wholly owned subsidiary of TGL took place on 1 November 2013, finalizing ownership of the project in the name of the Group. TGL is presently consolidating several Prospecting Rights into a single Right over the Jeanette Project and an application for a Mining Right over the consolidated area will be prepared later this year. Taung Gold (Free State) Proprietary, as the holder of the various Prospecting Rights, enjoys the exclusive right to apply to convert them into a Mining Right.

The last two years have been characterized by significant economic uncertainty that has been the major driving force behind very tough financial markets. The gold industry was not immune to this uncertainty as the gold price declined to below US\$1,200/oz during 2013, with most producers undergoing restructuring and cost cutting, whilst explorers and developers faced financing shortfalls as investor funding all but dried up. Many gold companies were unable to progress their projects as funding became scarce and exploration spend and consequently the rate of discovery of "new" ounces of gold continued to decline. During this period of economic uncertainty the Group, with its very substantial gold endowment, took steps aimed at its longer-term endurance by ensuring that its cash resources were applied in the most cost effective manner to advance its two flagship projects.

OUTLOOK

Looking ahead, as the world's major economies continue to experience slow recovery in the short to medium term it is reasonable to expect continued uncertainty in both financial markets and the price of gold. Existing gold producers are likely to experience further and significant pressures on overall profit margins and this could lead to further cuts in costs and the elimination of higher cost or unprofitable production. The Company continues to believe that longer term fundamentals will be supportive to gold and that the price of gold will resume its upward trend in the medium and longer term. Consequently, the Group continues to believe that its projects, with their attractive and competitive cash costs, will continue to present a very attractive proposition to investors.

CHAIRMAN'S STATEMENT

As the Company emerges from the period of suspension in trade in its shares its focus is now directed towards the execution of the Evander Six Shaft Project and the financing thereof and, the completion of the pre-feasibility study for the Jeanette Project. I would like to assure you that the Board of Directors, management and employees will continue their efforts to build on the Group's existing platform in the interest of creating additional shareholder value and we look forward to an exciting year ahead.

On behalf of the Board

Li Hok Yin
Co-chairman

Christiaan Rudolph de Wet de Bruin
Co-chairman

Hong Kong, 29 April 2014

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group is principally engaged in (i) the operations of gold mines in the Republic of South Africa ("South Africa") and (ii) sale of minerals.

During the financial year 2012/2013, the Group recorded a loss attributable to owners of the Company of approximately HK\$150,196,000 or loss of HK1.36 cents per share basic, compared with a loss attributable to owners of the Company for the year 2011/2012 of approximately HK\$217,812,000 or loss of HK3.02 cents per share basic.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2013 (2012: Nil).

BUSINESS REVIEW

For the year ended 31 March 2013, the Group has recorded a turnover of the continuing operations approximately HK\$4,592,000 (2012: HK\$7,858,000) which represents a decrease of 41.56% compared with the turnover of the continuing operations recorded in the last financial year. The Group recorded a net loss from ordinary activities attributable to equity holders of approximately HK\$150,196,000 compared with a net loss from ordinary activities attributable to equity holders of approximately HK\$217,812,000 for the last financial year during which a fair value gain on gross liabilities on put options of approximately HK\$599,133,000 was recognized.

The other comprehensive expense of approximately HK\$188,892,000 mainly arises from the exchange difference on the translation of South African operations.

MATERIAL ACQUISITION AND DISPOSAL

H & M Natural Resources Limited

During the year ended 31 March 2013, the Group acquired 49% equity interest in H & M Natural Resources Limited ("H & M") at a total consideration of HK\$90,228,000 of which HK\$47,500,000 was settled by cash and HK\$42,500,000 was settled by a promissory note together with the interest receivable of HK\$228,000. Details of the H & M acquisition is set out in Note 20 to the consolidated financial statements.

Saint Ford Group Limited

During the year ended 31 March 2013, the Group acquired 75% equity interest in Saint Ford Group Limited ("Saint Ford") at a total consideration of HK\$95,025,000 of which HK\$8,000,000 was settled by cash and HK\$86,000,000 was settled by 2 promissory notes together with the interest receivable of HK\$1,025,000. Details of the Saint Ford acquisition is set out in Note 34(a) to the consolidated financial statements.

Saved for the above disclosed, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies under the review period.

MANAGEMENT DISCUSSION AND ANALYSIS

MINERAL TRADING OPERATIONS

The Group's trading of minerals business contributed to the Group's majority of revenue during the year ended 31 March 2013. However, the Board considered that putting more effort and resources on its gold mining operations could bring a more long term revenue and profit stream for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had no outstanding bank borrowings (31 March 2012: Nil) and no banking facilities (31 March 2012: Nil).

The Group's gearing ratio as at 31 March 2013 was zero (31 March 2012: Zero), calculated based on the Group's total zero borrowings (31 March 2012: Zero) over the Group's total assets of approximately HK\$5,836,000,000 (31 March 2012: HK\$6,307,700,000).

As at 31 March 2013, the balances of cash and cash equivalents of the Group were approximately HK\$237,000,000 (31 March 2012: HK\$514,600,000) and were mainly denominated in Hong Kong Dollars and South African Rand.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 March 2013, the Group operated mainly in the PRC and the Republic of South Africa, and the majority of the Group's transactions and balances were denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand. However, the directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. Nevertheless, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

OCCURRENCE OF IMPORTANT EVENTS AFFECTING THE GROUP

Trading in the shares of the Company was suspended at the request of the Company on 8 June 2012. Shareholders are referred to the subsequent announcements made by the Company regarding the Incident and, in particular, to the announcement of 29 April 2013 dealing with 1) the Settlement Agreement in relation to the Incident and 2) Change of Directors. Further announcements were made on 31 May 2013, 28 June 2013 and 29 July 2013 and on 6 August 2013 an announcement was made regarding the entering into of the Shareholders Agreement by a group of Shareholders, that effectively brought an acceptable conclusion to the Incident.

With the benefit of hindsight the board of the Company and the board of Taung Gold Limited consider that the Incident arose as a result of miscommunication and misunderstanding between the management of the Company and Taung Gold Limited. This unfortunate situation was resolved during discussions leading up to the Settlement Agreement that was executed on 26 April 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

On 3 September 2013 the Company received a letter from the Stock Exchange of Hong Kong in which the Stock Exchange stated the following resumption conditions:

1. publish all outstanding financial results and report, and address any concerns raised by the Company's auditors through qualifications in their audit report (the "Outstanding Results Condition"); and
2. demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules (the "Internal Control Condition").

An announcement was made on 30 January 2014 detailing the results of the Internal Control Review that fulfilled the Internal Control Condition. The Outstanding Results Condition will be fulfilled through the publication of this announcement containing all of the outstanding financial results. As clarified with the Stock Exchange, the publication of the outstanding financial reports may take place after the resumption of trading of the Company's shares on the Stock Exchange and accordingly, this would not affect the fulfillment of the Results Condition.

REVIEW OF BUSINESS OPERATIONS

Exploration Activities

Four boreholes, TW1C, TW5A, TW6 and TW7 were drilled in the Twistdraai project area during 14 February 2011 and 14 July 2012. Taung Gold Limited instituted a quality assessment/quality control protocol, which was advised, reviewed and signed off by Snowden Group Consultants, Randburg, Johannesburg, South Africa. The core that was drilled has an average diameter size of 46mm and included on average 9 short deflections on each hole drilled. A total of 9,988 metres of core was recovered, including the deflections, at a total program cost of ZAR74,930,000 with the down-hole drilling cost of ZAR24,590,000. The field logistics component was ZAR31,050,000 and the labour cost expense was ZAR19,290,000. The following table shows the cost breakdown:

Drilling Program Cost Element	ZAR
Site establishment & dis-establishment	809 200
Percussion drilling contractor cost	1 627 659
Core drilling contractor cost	8 793 271
Wedge installation & surveys	8 202 509
Water carting	1 252 470
Sampling	1 012 410
Downhole maintenance (cementation, plugging etc)	2 891 748
Field logistics and rehabilitation	31 050 747
Staff/labour cost	19 290 537
Total drilling program:	74 930 550

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has not conducted any mining or production activities during the reporting period.

The Evander Project

The Evander Project comprises the Six Shaft area and the Twistdraai area on the north-eastern limb of the Witwatersrand Basin, Mpumalanga Province, South Africa. As disclosed in the Circular, Evander Gold Mines Limited (“EGM”) held the Mining Right No 107/2010 at the relevant time, which is the mining right that covers the Evander Project. The Mining Right No 107/2010 permitted the mining of gold and associated minerals in the Six Shaft and Twistdraai area.

The Earn-in Agreement and the Sale Agreement

Taung Gold Limited (“TGL”), one of the subsidiaries of the Company, entered into a series of nine agreements with EGM Limited on 29 February 2008 (being the Earn-in Agreement). Through the Earn-in Agreement TGL would have sufficient influence in decisions over the exploration of gold resources in the Evander Project whereby TGL contributed the financial resources and the technical expertise to actively explore the Evander Project and EGM Limited contributed the Mining Right No 107/2010.

Under the Earn-in Agreement, in order for TGL to “earn-in” an interest in the Evander Project, TGL was obliged to complete a Scoping Study, a Pre-Feasibility Study and a Bankable Feasibility Study. TGL had already completed the Scoping Study for the Evander Project in April 2010.

Subsequent to the signing of the Earn-in Agreement, negotiations were initiated with EGM Limited resulting in the signing of a sale agreement between EGM Limited and Taung Gold Secunda (Proprietary) Limited (“TGS”) a wholly owned subsidiary of TGL in September 2010 to acquire the entire interest in the Evander Project (the “Sale Agreement”). Completion of the Sale Agreement was conditional on the approval by the Minister of Mineral Resources (“MMR”) for the transfer of a subdivided portion of EGM Limited’s new order mining right (the “Mining Right”) to a wholly-owned subsidiary of TGL (the “Approval”). This subdivided portion covers the entire Evander Project.

On 6 June 2012, Mining Right No 116/2013 over the Evander Project was granted to EGM Limited and the Approval was obtained on the same date and the Sale Agreement became unconditional.

On 18 July 2012 the Mining Right was executed in the name of EGM Limited by the MMR. The Mining Right commenced on 18 July 2012 and will continue in force for 25 years and 9 months and will expire on 28 April 2038. It is renewable for a further period of 30 years. The balance of the consideration of ZAR105,000,000 (or approximately HK\$80,600,000) was settled by TGL on 30 May 2012. As a result, the Sale Agreement became unconditional and completion of the Sale Agreement took place on that date. Pursuant to the terms of the Sale Agreement, the Earn-in Agreement was then terminated and TGL had a 100% interest in the Evander Project.

MANAGEMENT DISCUSSION AND ANALYSIS

The registration of the Mining Right under 116/2013 into the name of EGM took place on 1 November 2013 and the Deed of Cession No 70/2013 effectively transferring the Mining Right into the name of TGS was registered at the Mineral and Petroleum Titles Registration Office (“MPTRO”) on 20 November 2013.

Consideration under the Sale Agreement

The consideration under the Sale Agreement was ZAR225,000,000 (or approximately HK\$172,800,000). An aggregate of ZAR120,000,000 (or approximately HK\$92,200,000) was paid by TGL before 29 April 2011 as deposit or prepayment under the Sale Agreement.

The Jeanette Project

The Jeanette Project is located close to the town Allanridge within the southwest margin of the Witwatersrand Basin, northeast of Welkom, in the Free State Province of South Africa.

Update on prospecting rights and approvals for the Jeanette Project

TGL entered into an agreement to acquire the single prospecting right (the “Prospecting Right”) for the Jeanette area in 2008. A Scoping Study was completed over the Jeanette Project in June 2010. Consent to the transfer of the Prospecting Right was given by the MMR on 29 September 2010 and the prospecting right is valid for five years commencing 29 June 2010. The Prospecting Right permits the exploration of gold ore, silver ore and uranium ore in the Jeanette area. The registration of Taung Gold Free State (Pty) Limited (“TGFS”), a wholly owned subsidiary of TGL. The registration of Prospecting Right No. 144/2013 took place on 30 October 2013 and the Deed of Cession was registered at the MPTRO on 1 November 2013.

Apart from the Prospecting Right, TGL has continued to consolidate its mineral rights holdings in and around its Jeanette Project area. On 28 June 2010, TGL entered into an agreement to acquire the prospecting rights over the farms Buitendachshoop 122, Weltevreden 59, Portion RE and LeClusa 70 from Free State Development and Investment Corporation Limited. These permits are contiguous to the Prospecting Right. The MMR has granted the relevant consent for the transfer of the prospecting rights over the Buitendachshoop and Weltevreden areas to TGL and the transfers are currently pending for registration in TGFS’s name with the Mineral and Petroleum Titles Registration Office. The prospecting rights over the LeClusa licence area were registered in TGFS’s name with the MPTRO on 18 April 2011. In addition, TGFS has been granted additional prospecting rights over the Bandon 345, Damplaats 361, Katbosch 358, Leeuwbosch 285 farms and also a portion of Weltevreden 59 farm, all being contiguous to the Jeanette Project.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table shows the present status of the prospecting rights of the greater Jeanette Project:

Prospecting Right	MPTRO/PR No	Status
Jeanette	144/2013	Deed of Cession No. 64/2013 registered to TGFS on 1 November 2013
Buitendachshoop/ Weltevreden	(709PR)	Section 11 consent granted 13 June 2011. Execution and registration of the Deed of Cession is still to be completed
LeClusa	138/2011	Deed of cession No. 03/2013 registered to TGFS on 18 January 2013
Damplaats/Katbosch	278/2010	Registered to TGFS on 19 October 2010
Bandon/Weltevreden/ Leeuwbosch	22/2011	Registered to TGFS on 18 October 2011

TGFS has submitted a Section 102 application on 4 March 2014 to consolidate the above permits into a single prospecting right using the Jeanette prospecting right (MPTRO 144/2013) as the base for such consolidation. On completion of the consolidation and the Pre-Feasibility Study currently underway, TGFS will then apply for a mining right over the consolidated area and it is expected that this application will be submitted early in 2015. TGFS as the holder of the to be consolidated prospecting rights has the exclusive right to apply for a mining right.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

As at the date of this announcement, both the Evander Project and the Jeanette Project are at the exploration stage, which involves the completion of Bankable Feasibility Studies ("BFS") and Pre-Feasibility Studies ("PFS") for the projects, respectively.

The Evander Project

TGL is in the process of completing a Bankable Feasibility Study for the Six Shaft area. The technical and engineering work in relation to the BFS is complete and the pending execution of option agreements relating to the securing of surface rights for a tailings storage facility will enable the completion of the financial work. The publication of the BFS Report is expected by the second quarter of the new financial year and will herald the declaration of the maiden Mineral Reserve for the Evander Project.

The Jeanette Project

TGL is presently conducting a PFS over the project area using the enlarged resource and new structural plan and it is expected to be completed during the second quarter of the new financial reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is considering different plans to commence with the subsequent construction phase of the Evander Six Shaft Project and continues to review its financial position given recent and prevailing uncertainty and volatility in global markets. The Directors have approached this period of uncertainty by reviewing capital expenditure to advance the two flagship projects and work at the remaining exploration projects. The Board made the decision to complete the BFS for the Evander Six Shaft area but will only decide on a further drilling program in the Twistdraai area at a later date. Consequently, further PFS/BFS work for the Twistdraai area will also be commissioned at a later date. It was also decided to delay the commissioning of various studies on the Jeanette Project such that the completion of the PFS will be finalized at the end of the first quarter of the new financial year. A decision regarding the timing of commencement of the BFS for the Jeanette Project will be taken after the completion of the PFS. TGL has also reviewed its remaining exploration projects in South Africa and will continue to dispose of those projects that do not meet its expectations, in order to ensure continued focus on the flagship projects at Evander and Jeanette.

REVIEW ON THE COMPANY'S MINERAL RESOURCES AND RESERVES

The Evander Project

The Evander Project comprises the Six Shaft area and the Twistdraai area. **Table 1** below shows the updated mineral resource estimate of the Six Shaft area using a 500cmg/t cut-off grade as at 27 May 2013. The total mineral resource for Six Shaft area has increased from approximately 3.917Moz Au as stated in the Circular of the Company dated 27 July 2011 (the "Circular"), to approximately 5.110Moz Au, representing an increase of approximately 30.5%, while the Measured and Indicated category of the mineral resource has increased from approximately 3.449Moz Au as stated in the Circular to approximately 4.495Moz Au, an increase of approximately 30.3%. The increase in Measured and Indicated mineral resource for the Six Shaft portion of the Evander Project stems mainly from the inclusion of mineral resource previously thought to be only accessible from the Twistdraai portion of the Project, which has become accessible from the Six Shaft portion after the drilling of one of four surface boreholes during 2011 and 2012.

Table 1: Mineral Resource estimate for Six Shaft area as at 27 May 2013

MINERAL RESOURCE CATEGORY	Mining Tonnes (t)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (kg)	Gold (Oz)
Six Shaft, Total Project Mineral Resources at a 500cmg/t Cut-off Grade								
Measured	140,100	118	10.64	1,213	87	13.92	1,490	47,905
Indicated	14,920,500	111	9.27	1,026	77	13.49	1,38,320	4,447,091
Inferred	3,091,000	108	6.19	669	43	16.61	19,130	615,044
Total Measured and Indicated	15,060,600	111	9.28	1,028	77	13.49	139,810	4,494,996
TOTAL MINERAL RESOURCES (Note)*	18,151,600	110	8.76	965	71	13.79	158,940	5,110,040

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 below shows the updated mineral resource estimate of the Twistdraai area using a 500cmg/t cut-off grade and as at 28 February 2013. The total mineral resource for Twistdraai area has reduced from approximately 4.804Moz Au as stated in the Circular to approximately 2.563Moz Au, representing a reduction of approximately 46.7%. The Measured and Indicated category has reduced from approximately 1.353Moz Au as stated in the Circular to approximately 0.999Moz Au, representing a reduction of approximately 26.1%. However, this reduction in Measured and Indicated resources is the net effect of Inferred Resources being upgraded to Indicated Resources, moving 1.014Moz Au Measured and Indicated Resources from Twistdraai to Six Shaft and, geological losses at Twistdraai resulting from new drilling on the eastern section of Twistdraai. The new structural model was defined by four boreholes drilled during 2011 and 2012. Further exploration drilling will be required to upgrade Inferred Resources into Indicated Resources at Twistdraai and a decision in this regard will be taken at a later stage.

Table 2: Mineral Resource estimates of Twistdraai area as at 28 February 2013

MINERAL RESOURCE CATEGORY	Mining Tonnes (t)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (kg)	Gold (Oz)
Twistdraai, Total Project Mineral Resources at a 500cmg/t Cut-off Grade								
Measured	-	-	-	-	-	-	-	-
Indicated	4,553,900	111	6.82	756	71	10.61	31,080	999,245
Inferred	6,328,500	113	7.69	866	75	11.48	48,660	1,564,455
Total Measured and Indicated	4,553,900	111	6.82	756	71	10.61	31,080	999,245
TOTAL MINERAL RESOURCES (Note)*	10,882,400	112	7.33	820	74	11.13	79,740	2,563,700

Table 3 below shows the mineral resource estimate of the whole Evander Project using a 500cmg/t cut-off grade and as at 27 May 2013. The total mineral resource for the Evander Project has declined from approximately 8.063Moz Au as stated in the Circular to approximately 7.674Moz Au, representing a reduction of approximately 4.8%. This reduction is mainly as a result of increased geological losses in the Inferred category at the Twistdraai section. However, the total Measured and Indicated mineral resource has increased from approximately 4.633Moz Au as stated in the Circular to approximately 5.494Moz Au representing an increase of approximately 18.6%.

Table 3: Evander Project Mineral Resource estimate as at 27 May 2013

MINERAL RESOURCE CATEGORY	Mining Tonnes (t)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (kg)	Gold (Oz)
Total Project Mineral Resources at a 500cmg/t Cut-off Grade								
Measured	140,100	118	10.64	1,213	87	13.92	1,490	47,905
Indicated	19,474,400	111	8.70	963	76	14.06	169,400	5,446,336
Inferred	9,419,500	111	7.20	800	65	18.31	67,790	2,179,499
Total Measured and Indicated	19,614,500	111	8.71	965	76	14.06	170,890	5,494,241
TOTAL MINERAL RESOURCES (Note)*	29,034,000	111	8.22	911	72	15.44	238,680	7,673,740

MANAGEMENT DISCUSSION AND ANALYSIS

Note:

The information in this announcement that relates to the mineral resources for the Evander Project is based on information compiled by Mr. Garth Mitchell, who is a full time employee of Explormine Consultants, an independent mineral resources consultancy engaged by TGL. Mr. Mitchell is a Member of the Southern African Institute of Mining and Metallurgy and a member of the Geological Society of South Africa. Mr. Mitchell has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Mitchell has consented to the inclusion in the announcement of the matters based on information provided by him, in the form and context in which they appear.

The Jeanette Project

Table 4 below shows the mineral resource estimate for the Jeanette Project using a 300cmg/t cut-off grade for the Basal Reef and 339cmg/t cut-off grade for the A-Reef as at 24 January 2013. The total mineral resource for the Jeanette Project has increased from approximately 15.155Moz Au as stated in the Circular to approximately 18.240Moz Au, representing an increase of 20.4%. This increase is resultant from the consolidation of purchased prospecting permits, further prospecting permits granted to TGFS and the inclusion of latest drilling and three dimensional seismic reflective survey information. The Indicated mineral resource has increased from approximately 7.092Moz Au to approximately 9.906Moz Au, representing an increase of approximately 39.7%. TGL also commissioned and has completed the interpretation of a three-dimensional seismic reflection survey over the Jeanette Project area between June 2011 and October 2012. The main objective of the three-dimensional seismic survey program was to apply the most advanced technology presently available to further enhance understanding of the geological structure within the project area and the updated resource estimate in Table 4 includes this improved understanding.

Table 4: Jeanette Project Mineral Resource estimate as at 24 January 2013

MINERAL RESOURCE CATEGORY	In-situ Tonnes (t)	Evaluation Width (cm)	Grade	Grade	Channel	Channel	Gold (kg)	Gold (Oz)
			above cut-off (g/t)	above cut-off (cmg/t)	Width (cm)	Grade (g/t)		
Total Project Mineral Resources at a 300cmg/t Cut-off Grade for Basal Reef and 339cmg/t for the A Reef								
Indicated (Black Chert Facies)	11,486,000	100	8.22	822	30	26.83	308,111	9,906,000
Inferred (Black Chert Facies)	455,000	100	6.55	655	20	32.75	14,899	479,000
Inferred (Overlap Facies)	3,688,000	100	4.17	417	41	10.27	37,884	1,218,000
Inferred (A-Reef)	41,704,000	113	4.95	559	113	4.95	206,434	6,637,000
Total Indicated	11,486,000	100	8.22	822	30	26.83	308,111	9,906,000
Total Inferred	45,847,000	112	4.90	549	106	5.65	259,217	8,334,000
TOTAL MINERAL RESOURCES (Note)*	57,333,000	109	5.57	603	91	9.90	567,328	18,240,000

Note:

The information in this announcement that relates to the mineral resources for the Jeanette Project is based on information compiled by Mr. David Young, who is a full time employee of The Mineral Corporation, an independent mineral resources consultancy engaged by TGL. Mr. Young is a Member of the Southern African Institute of Mining and Metallurgy, a Fellow of the Geological Society of South Africa and, a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Young has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Young has consented to the inclusion in this announcement of the matters based on information provided by him, in the form and context in which they appear.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of TGL's Measured and Indicated Mineral Resources

The total Measured and Indicated mineral resources for TGL have increased from approximately 11.725Moz Au as per the Circular to approximately 15.400Moz Au, representing an increase of approximately 31.3%. The bankable and pre-feasibility studies presently underway for the Six Shaft area and Jeanette area are based on the Measured and Indicated mineral resources as shown below in Table 5.

Table 5: Summary of the Measured and Indicated categories of Mineral Resources for TGL as at 27 May 2013

MINERAL RESOURCE CATEGORY	Tonnes (t)	Grade (g/t)	Gold (kg)	Gold (Oz)
EVANDER	Mining (t)	Mining (g/t)		
Measured	140,100	10.64	1,490	47,905
Indicated	19,474,400	8.70	169,400	5,446,336
Total Measured & Indicated	19,614,500	8.71	170,890	5,494,241
JEANETTE	In-situ (t)	In-situ (g/t)		
Indicated	11,486,000	8.22	308,111	9,906,000
TOTAL Evander & Jeanette	31,100,500	-	479,001	15,400,241

OTHER INFORMATION

CHANGE OF AUDITOR

Messrs. HLB Hodgson Impey Cheng ("HLB"), the auditors of the Company for the year ended 31 March 2011, resigned on 13 April 2012. Messrs. Deloitte Touche Tohmatsu was appointed as auditors of the Company with effect from 13 April 2012 to fill the casual vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company.

TRANSACTIONS AFTER REPORTING PERIOD

The transactions which took place after 31 March 2013 (please refer to 44(a)(i) and (ii) on pages 130 and 131 of this annual report) did not constitute notifiable transactions and/or connected transactions to the Company pursuant to Chapter 14 and Chapter 14A under the Listing Rules.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the operations of gold mines in the Republic of South Africa ("South Africa") and sale of minerals. During the year, the Group has completed a transaction to dispose of its businesses of coal mining operations, loan guarantee service operations and a small scale gold mine in the People's Republic of China (the "PRC").

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on page 6.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2013.

FIVE YEAR SUMMARY

A summary of the Group's results for each of the five years ended 31 March 2013 and the Group's assets and liabilities as at 31 March 2009, 2010, 2011, 2012 and 2013 is set out on page 134 of this annual report.

CAPITAL STRUCTURE

There was no material change in the capital structure of the Company during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL, UNLISTED WARRANTS AND SHARE OPTIONS

Details of the Company's share capital, unlisted warrants and share options are set out in notes 31 and 39 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out on page 136 in this annual report and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of Company. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of approximately HK\$4,758,396,000 as at 31 March 2013 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer accounted for 100% of the Group's total turnover for the year. Purchases from the Group's largest supplier accounted for 100% of the Group's total purchases for the year.

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

HUMAN RESOURCES

As at 31 March 2013, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 60 (31 March 2012: 60). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Li Hok Yin
Ms. Cheung Pak Sum

Independent Non-Executive Directors:

Mr. Chui Man Lung, Everett
Mr. Li Kam Chung
Mr. Hui Wah Tat, Anthony (Resigned on 26 April 2013)

In accordance with the Bye-law 98 of the Company's Bye-laws, Mr. Li Hok Yin, Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick, Ms. Cheung Pak Sum, Mr. Igor Levental, Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Walter Thomas Segsworth shall retire from office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Li Hok Yin, aged 36, is the Co-chairman and an Executive Director of the Company. He was previously the Investment Manager of Cheever Capital Management (Asia) Ltd. from September 2007 to December 2009. He was the Territory Manager of Ecolab Ltd, a company listed on the New York Stock Exchange, from March 2004 to July 2007. M. Li also obtained a Bachelor of Engineering degree from The Chinese University of Hong Kong. He was appointed as an Executive Director of the Company on 8 January 2010.

Mr. Christiaan Rudolph de Wet de Bruin, aged 61, is the Co-chairman and an Executive Director of the Company. Mr. de Bruin is also a director of Taung Gold International Limited (“TGL”), a non wholly-owned subsidiary of the Company as well as of Taung Gold Exploration Limited, Taung Gold Exploration (West) (Pty) Ltd, Taung Gold (Free State) (Pty) Ltd, Taung Gold (North West) (Pty) Ltd, Taung Gold (Secunda) (Pty) Ltd, Sephaku Gold Exploration (Pty) Ltd, and Ulinet (Pty) Ltd, all of which are wholly owned subsidiaries of TGL. He is also the co-founder of TGL, Platmin Ltd and Sephaku Holdings Ltd. Mr. de Bruin received a Bachelor of Commerce degree (Cum Laude) from the University of the Free State in 1975 and a Bachelor of Law degree (Cum Laude) from the Rand Afrikaans University in 1977 and practised as an advocate at the Pretoria Bar from 1979 to 1989, specialising in commercial law and mineral law cases. Mr. de Bruin left the Bar in 1989 and focused on finding, acquiring and developing mineral exploration and mining projects in various African countries. He was involved in aspects of law relating to minerals, companies, stock exchange and international finance. He also acted as a consultant to a number of South African companies, becoming involved in their management, including the management of their systems, human resources, customers and financing activities. Between 1999 and 2005, Mr. de Bruin was a co-founder member of the Platmin Group of companies, which developed the Pilanesberg Platinum Mine. His role was to engineer the acquisition of mineral projects including supervising the execution of over 300 mineral rights agreements and the conversion of the Platmin Group’s old order rights into new order rights and the acquisition of new mining rights. Mr. de Bruin was also involved with the applications for new mining rights and the management of the operational aspects, including logistics, human resources and administration during his time with the Platmin Group. He was a non-executive director of Gentor Resources Inc., a company involved with copper exploration activities in the Sultanate of Oman and Turkey, and listed on the Toronto Venture Exchange (TSX-V). Mr. de Bruin is also a non-executive director of Sephaku Holdings Limited, a company listed on the Johannesburg Stock Exchange. The Sephaku group’s portfolio currently comprises valuable holdings in a range of operating assets which provide raw materials, supplies and/or services in the cement and limestone exploration sector. Mr. de Bruin was appointed as the Co chairman and an Executive Director of the Company on 26 April 2013.

REPORT OF THE DIRECTORS

Mr. Neil Andrew Herrick, aged 51, is the Chief Executive Officer and an Executive Director of the Company. He is a director and chief executive officer of TGL as well as director of Taung Gold Secunda (Pty) Ltd (previously Pluriclox (Pty) Ltd), which is a wholly owned subsidiary of TGL. He has over 20 years of experience in the gold mining industry, having joined the Gold Division of Anglo American in 1988 and became section manager at AngloGold Limited from 1994 to 1997 with responsibility for an underground section of a mine and a shaft system. He became production manager at AngloGold Limited from 1997 to 1999 and was responsible for an entire shaft complex. From 1999 to 2002 he was the general manager of the North West Operations of Durban Roodepoort Deep Limited. In 2002, he joined Gold Fields Limited as senior manager and was responsible for the completion of two pre-feasibility studies for the exploitation of below infrastructure resources at Kloof mine and later as Senior Manager in charge of Kloof mine's underground operations. From 2006 to 2007, he was a mine manager at Anglo Platinum Limited, after which he joined Norilsk Nickel Africa (Pty) Limited as a mining executive. He is registered as a professional engineer with the Engineering Council of South Africa, and is a past president and council member of the Association of Mine Managers of South Africa. He is a former Chairman of the Mines Professional Associations Committee of Management. He graduated from the University of Newcastle upon Tyne in 1987 with a Bachelor of Engineering degree (Honours) in Mining Engineering. He was appointed as the Chief Executive Officer and an Executive Director of the Company on 26 April 2013.

Ms. Cheung Pak Sum, aged 38, was appointed as an Executive Director of the Company on 20 April 2010. She is the Head of Human Resources and Administration of the Company. She is well experienced in the areas of Human Resources and Administration. She was the senior administration officer of Pineview Industries Limited, a listed company on the Stock Exchange, from May 2006 to May 2008.

Mr. Igor Levental, aged 59, is an Executive Director of the Company. He is the director of Gabriel Resources Ltd., which is engaged in the development of major precious metals deposits in Romania; he is also a director of NOVAGOLD Resources Inc., a TSX and NYSE Market-listed company involved in the advancement of a major gold development project in Alaska and a copper-gold development project in British Columbia; he is also a director of NovaCopper Inc., a TSX and NYSE Market-listed company involved in the exploration and development of major copper-dominant deposits in Alaska; and Sunward Resources Ltd, a TSX-listed company engaged in the exploration and development of a large porphyry gold-copper project in Colombia. With more than 30 years of experience across a board-cross section of the international mining industry, Mr. Levental has held senior positions within major mining companies including Homestake Mining Company, a major international gold mining company with interests in the United States, Canada, Australia and South America, as well as International Corona Corporation, a gold producer. In 2007, he joined Electrum (USA) Ltd. as executive vice president and in March 2010 became president of the Electrum Group of Companies (one of the companies within the Group currently the substantial shareholder of the Company) He is a registered professional engineer in Canada. He graduated from the University of Alberta with a Bachelor of Science degree in Chemical Engineering in 1978 and received his MBA degree from the University of Alberta in 1982. He was appointed as an Executive Director of the Company on 19 August 2013.

REPORT OF THE DIRECTORS

Independent Non-Executive Directors

Mr. Chui Man Lung, Everett, aged 50, is an Independent Non-Executive Director of the Company. Mr. Chui is a Fellow Member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is a Member of the Institute of Chartered Accountants in England and Wales. He is currently the director and shareholder of Cen-1 Partners Limited, an independent consultancy company specializing in financial engineering and corporate structuring. Mr. Chui was appointed as an independent non-executive director of Sinocom Software Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect on 10 September 2013. Mr. Chui was the financial controller and company secretary of Yau Lee Holdings Limited, a listed company on the Stock Exchange, from February 1995 to May 2008. He is well experienced in the areas of finance, audit and accounting. He holds a Bachelor of Social Sciences in Business Economics & Accounting awarded by the University of Southampton in the United Kingdom. Mr. Chui was appointed as an Independent Non-Executive Director of the Company on 20 April 2010.

Mr. Li Kam Chung, aged 62, is an Independent Non-Executive Director of the Company. Mr. Li has over 10 years experience in trading businesses between Mainland, China and Hong Kong. Mr. Li was appointed as a non-executive director of Taung Gold Limited, a non wholly-owned subsidiary of the Company in the Republic's of South Africa, on 26 April 2013. Mr. Li is currently the chairman of Joint Village Office For Villages In Shuen Wan Tai Po N.T. and a member of Tai Po District Council Environment, Housing and Works Committee. Mr. Li was appointed as an Independent Non-Executive Director of the Company on 1 April 2009.

Mr. Walter Thomas Segsworth, age 65, is an Independent Non-Executive Director of the Company. He currently is a Director of Pan America Silver Corp., a TSX and NASDAQ Market-listed company and Gabriel Resources Ltd., a TSX Market-listed company, which is engaged in the development of major precious metals deposits in Romania. He served as Director of Alterra Power Corporation, a TSX Market-listed company, a leading global renewable energy company involved in geothermal, hydraulic and wind power generation and is also Director of Heatherdale Resources Ltd., a TSX Market-listed company. He has over 43 years of experience in mining in Canada and overseas. Mr. Segsworth served on the Boards of Directors of several mining companies including Westmin Resources, where he was President and Chief Executive Officer and Homestake Mining Company, where he was President and Chief Operating Officer. He was also Director of Great Basin Gold Ltd. from 2003 to 2011 and Explorer Resources, Inc. from 2009 to 2011. Mr. Segsworth is past Chairman of both the Mining Associations of British Columbia and Canada and was named British Columbia's Mining Person of the year in 1996. He is currently member of Association of Professional Engineers of British Columbia and Fellow of Canadian Institute of Mining Metallurgy and Petroleum. Mr. Segsworth holds a BSc in Mining Engineering from Michigan Technical University. He was appointed as an Independent Non-Executive Director of the Company on 19 August 2013.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2013, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to (the Model Code for Securities Transactions by Directors of Listed Issues,) were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Number of Ordinary Shares		Number of underlying shares held under share options	Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests			
Li Hok Yin	17,380,622	-	5,000,000	22,380,622	0.18%
Cheung Pak Sum	-	-	5,000,000	5,000,000	0.04%
Chui Man Lung, Everett	-	-	5,000,000	5,000,000	0.04%
Hui Wah Tat, Anthony (Resigned on 26 April 2013)	-	-	5,000,000	5,000,000	0.04%
Li Kam Chung	-	-	5,000,000	5,000,000	0.04%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2013 as defined in Section 352 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION

Particulars of the Company's share option scheme are set out in note 39(a) to the consolidated financial statements.

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

Category of participants	Date of share option granted	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of the year	Subscription price HK\$	Exercise period
Directors of the Group	13 December 2011	25,000,000	-	-	-	25,000,000	0.1890	13 December 2011 – 13 December 2013
Employees of the Group	13 December 2011	7,500,000	-	-	2,500,000	5,000,000	0.1890	13 December 2011 – 13 December 2013
		32,500,000	-	-	2,500,000	30,000,000		

There were 30,000,000 options outstanding as at 31 March 2013 which represented approximately 0.25% of the total number of issued shares of the Company as at that date.

TGL approved an option scheme during 2010 (prior to the completion date of acquisition of TGL) to enable employees to acquire shares in TGL to provide them with incentives to advance TGL's interest, to promote an identity of interest with shareholders and to retain the skills and expertise of employees. The total number of shares issued in terms of the scheme will not exceed 10% of the issued share capital of TGL.

REPORT OF THE DIRECTORS

During the period from the completion date of acquisition of TGL (the “Completion Date”) to 31 March 2013, the movements of the options which have been granted under the share option scheme of TGL are as follows:

Category of participants	Date of share option granted	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of the year	Subscription price ZAR	Exercise period
Employees of TGL	26 May 2010	6,737,312	-	-	-	6,737,312	4.950	26 May 2010 – 25 May 2015
Employees of TGL	26 July 2010	6,238,000	-	-	-	6,238,000	4.950	26 July 2010 – 25 July 2015
Employees of TGL	1 September 2010	7,964,737	-	-	-	7,964,737	7.425	1 September 2010 – 31 August 2015
Employees of TGL	1 November 2010	2,705,161	-	-	-	2,705,161	9.900	1 November 2010 – 31 October 2015
		23,645,210	-	-	-	23,645,210		

There were 23,645,210 options outstanding as at 31 March 2013 which represented approximately 10.00% of the total number of issued shares of TGL as at that date.

At the Company’s special general meeting held on 19 August 2011, an ordinary resolution was passed by the Company’s shareholders for granting of a put option to holders of options in TGL in relation to the sale to the Company of up to 18,916,168 shares of TGL acquired pursuant to the exercise of options in TGL for an aggregate consideration of up to 1,009,616,519 shares of the Company at any time within three years from the Completion Date.

TGL has granted voting rights to its 23,645,210 options such that each option of TGL would carry the same voting right as an issued share of TGL. On 26 April 2013, the voting rights of options had been removed and the share option scheme of TGL had been amended that no voting rights can be granted or attached to any options granted under the scheme.

Details of the granting and removing of voting rights to options of TGL is set out in the announcements of the Company dated 19 September 2012 and 29 April 2013.

REPORT OF THE DIRECTORS

UNLISTED WARRANTS

The following table discloses movements in the Company's unlisted warrants issued to the subscribers during the year ended 31 March 2013:

Date of warrant issued	Outstanding at beginning of the year	Granted during the year	Exercise during the year	Outstanding at end of the year	Subscription Price HK\$	Exercise period	Percentage to total Company's shares in issue at end of the year
10 March 2010	88,848,000	-	-	88,848,000	0.160	10 March 2010 – 9 March 2015	0.73%

The closing price of the Company's share immediately before 10 March 2010, the date of issue, was HK\$0.315.

The following table discloses movements in TGL's unlisted warrants issued to the subscribers during the year ended 31 March 2013:

Warrant holders	Date of warrant issued	Granted during the year	Exercise during the year	Cancelled during the year	Outstanding at end of the year	Subscription Price ZAR	Exercise period
Dr. David Twist (<i>Note 1</i>)	12 January 2012	-	-	-	-	25	12 January 2012 – 4 January 2017
Electrum Strategic Exploration Limited (<i>Note 2</i>)	12 January 2012	30,000,000	-	-	30,000,000	25	12 January 2012 – 4 January 2017

Notes:

- (1) Dr. David Twist is a former director and current consultant of TGL and he was the executive director of the Company during the period from 26 April 2013 to 19 August 2013. The 35,000,000 of warrants attached with voting rights was cancelled on 26 April 2013 retrospectively.
- (2) Electrum Strategic Exploration Limited is a substantial shareholder of the Company and TGL. The 30,000,000 of warrants attached with voting rights was cancelled on 19 August 2013.

Details of the issuance and cancellation of warrants of TGL is set out in the announcements of the Company dated 13 June 2012, 19 September 2012, 27 November 2012, 21 January 2013, 21 February 2013, 22 March 2013, 29 April 2013, 31 May 2013, 28 June 2013, 29 July 2013, 6 August 2013 and 19 August 2013.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

At 31 March 2013, the following Shareholders were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(1) Long positions in ordinary shares and underlying shares of the Company

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives	Total interest	Percentage of issued ordinary shares as at 31 March 2013
Electrum Strategic Exploration Limited <i>(note 1)</i>	2,295,047,831	–	2,295,047,831	18.84%
Mandra Materials Limited <i>(note 2)</i>	1,608,854,156	–	1,608,854,156	13.21%
Mandra Esop Limited <i>(note 2)</i>	287,722,674	–	287,722,674	2.36%
Woo Foong Hong Limited <i>(note 2)</i>	426,530,727	–	426,530,727	3.50%
Gold Commercial Services Limited <i>(note 3)</i>	1,130,141,116	–	1,130,141,116	9.28%
Able Union Limited	747,224,875	–	747,224,875	6.13%

Notes:

- (1) The entire share capital of Electrum Strategic Exploration Limited is wholly-owned by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) Mandra Materials Limited, Mandra ESOP Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra ESOP Limited and Woo Foong Hong Limited for the purpose of SFO.
- (3) On 8 September 2011, the Company issued 1,130,141,116 new shares of the Company to Gold Commercial Services Limited ("GoldCom") for granting the put options to South African resident shareholders of TGL in relation to the sale to the Company through GoldCom of 21,174,316 shares of TGL.

REPORT OF THE DIRECTORS

(2) Short positions in shares and underlying shares

There were no short positions in the shares and underlying shares of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed herein, as at 31 March 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 44 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

INDEPENDENT AUDITORS

Messrs. HLB Hodgson Impey Cheng ("HLB"), the auditors of the Company for the year ended 31 March 2011, resigned on 13 April 2012. Messrs. Deloitte Touche Tohmatsu ("Deloitte") was appointed as auditors of the Company with effect from 13 April 2012 to fill the casual vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company.

REPORT OF THE DIRECTORS

A resolution for the reappointment of Deloitte as independent auditors of the Company will be proposed at the forthcoming annual general meeting.

The financial statements have been audited by Deloitte who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Hok Yin
Co-chairman

Christiaan Rudolph de Wet de Bruin
Co-chairman

Hong Kong, 29 April 2014

CORPORATE GOVERNANCE REPORT

Trading in the Company's shares has been suspended since 8 June 2012 because of the delay in publication of the Company's result announcement and Annual Reports. As part of the conditions for the resumption of trading in the Company's shares based on the letter from the Stock Exchange dated 3 September 2013, the Company has appointed Crowe Horwath (HK) CPA Limited as the independent internal control consultant (the "Consultant") to conduct a review on the Company's internal control system.

During the Consultant's review, certain internal control deficiencies were identified in the Company and its subsidiaries (the "Group") and the Board of Directors (the "Board") and the management of the Company have imposed remediation to ensure the effectiveness of the internal control system. Since then, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. With the assistance from the Consultant, internal control deficiencies and deviation from the Code were identified, which existed for the year ended 31 March 2013 due to inadvertent oversight. The table below summarized the key deficiencies and remediation implemented by the Group:

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
1. Internal communications	Inadequate communication between the Company and the South African operation.	<p>a. Relevant internal communication policy has been established and approved by the Board.</p> <p>b. Internal communication of the Group has been enhanced by holding quarterly meeting and irregular meetings between the Hong Kong and South African based Executive Directors and senior management for discussion and reporting and circulating all internal correspondences and documentations to all Executive Directors of the Company.</p>

CORPORATE GOVERNANCE REPORT

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
2. Compliance with Listing Rules	Incomprehensive policies and procedures governing the reporting of notifiable transactions and connected transactions of directors and senior executives.	<ul style="list-style-type: none"> a. The Company's guideline on connected transactions and notifiable transactions has been enhanced and approved by the Board. b. Trainings in relation to the reporting of notifiable transactions and connected transactions were carried out for Executive Directors and senior management of the Company. c. Assistant company secretary of the Company has been assigned to perform the regular review and update of the connected parties list since 30 September 2013. d. Directors have provided and will be required to provide annual written declarations regarding their respective connected parties and connected transactions since 30 September 2013.
	Incomprehensive corporate governance policies and procedures in relation to Appendix 14 of the Listing Rules.	The Company's terms of reference of corporate governance function have been enhanced and approved by the Board.
	No formal policy to monitor the compliance with requirements set out in Chapter 18 of the Listing Rules for mineral companies.	The Company's guideline for Chapter 18 has been established and approved by the Board.

CORPORATE GOVERNANCE REPORT

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
3. Internal guidelines and policies	Incomprehensive code of conduct covering the handling of confidential and proprietary information and ethical or conflict of interests issues.	<ul style="list-style-type: none"> a. Code of Conduct including a comprehensive set of ethical guideline has been revised and approved by the Board. b. All Directors and senior management of the Company have signed confirmation of undertaking of the Code of Conduct and have consented to comply with their provisions.
4. Internal control regarding significant transactions/ acquisitions	<p>No formal mechanism to monitor and manage the process during the post-acquisition integration following any acquisition done by the Group.</p> <p>The Company does not have formal procedures on requirement to obtain approvals from the Board for significant business transactions.</p>	<ul style="list-style-type: none"> a. The Company's "Post-acquisition Guideline" has been established and approved by the Board. b. No sample for the post-acquisition integration plan is available as no acquisition has been carried out by the Group during the Internal Control Review. <ul style="list-style-type: none"> a. Policies and procedures on a list of matters that require prior approval from the Board and the internal communication within the Group has been established and approved by the Board. b. Certain Executive Directors of the Company have been appointed as the Executive Directors of the South African subsidiary and vice versa. c. Quarterly meeting and irregular meetings are required to be held between the representatives of the Company's subsidiaries and the Company for discussion and reporting since 26 July 2013.

CORPORATE GOVERNANCE REPORT

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
	Incomprehensive policies and procedures for authorization on key business decisions.	<ul style="list-style-type: none"> a. The Company's "Role and Responsibilities of Directors & Authorization Policy" has been enhanced and approved by the Board. b. The Board's authority is allowed to be delegated only to personnel authorised by the Board at the relevant meeting of the Board of Directors. c. The authority and scope of power of the South African subsidiaries of the Group has been established and approved by its board.
5. Risk management	Incomprehensive policies and procedures on risk assessments within the Group.	<ul style="list-style-type: none"> a. Policies and procedures on risk assessment and reporting of the Group have been enhanced and approved by the Board. b. Risk assessment was carried out and a risk control register which documented the risks identified by the Company and the corresponding action plans was established and approved by the Board on 17 January 2014.
	Incomprehensive whistle blowing policy.	<ul style="list-style-type: none"> a. The Group's "Whistle Blowing Policy" has been enhanced and approved by the Board. b. The Group's staff have signed confirmations of undertaking of the Whistle Blowing Policy. c. No sample of investigation report is available as there were no reported cases during the Internal Control Review.

CORPORATE GOVERNANCE REPORT

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
6. Internal audit	<p>Incomprehensive financial reporting and disclosure policies and procedures.</p> <p>Lack of independence on the mechanism for monitoring systems of internal controls and no formal policy/guidelines to monitor the review of internal control system.</p>	<p>The Group's "Financial Reporting and Disclosure Policies and Procedures" have been enhanced and approved by the Board.</p> <p>a. The Group's Internal Audit Policies including internal audit charter have been established and approved by the Board.</p> <p>b. The Board has assigned staff who are independent from operations and management control to carry out the internal audit function. The staff was under the supervision of a qualified and competent personnel and directly report to the Audit Committee of the Company.</p> <p>c. Internal audit plan was established and approved by the Audit Committee and the Board on 8 January 2014 and 17 January 2014, respectively. The internal audit work will be carried out according to the approved internal audit plan and a internal audit report will be prepared which will be reviewed and approved by the Audit Committee and the Board.</p>
7. Intangible asset management	<p>Incomprehensive intangible assets (Mining Rights) policies and procedures governing the acquisitions and dispositions of intangible assets and their management (such as policies relating to the capitalisation, amortisation, periodic valuation and assessment of impairment of the intangible assets, registration and renewal of mining right and prospecting right).</p>	<p>The Group's "Intangible Assets Management Policies and Procedures" has been enhanced and approved by the Board.</p>

CORPORATE GOVERNANCE REPORT

Control Areas	Material findings and deficiencies found in the Internal Control Review	Status of remediation adopted by the Group
8. Project management	Incomprehensive project management policies and procedures relating to areas such as risk assessment, project monitoring, valuation, capitalisation of project expenditures and periodic performance review for mining projects and the review and approval procedures regarding the closure, abandonment and change of projects.	The Group's Project Management Policy has been enhanced and approved by the Board.
9. Document management	Incomprehensive policies and control procedures in respect of execution of significant contracts and document management.	<ul style="list-style-type: none"> a. The Company's Contract Management Policy has been enhanced and approved by the Board. b. The Company has maintained a register for all significant agreements entered into by the Company, which has to be reviewed by the Company's assistant company secretary and approved by the Company's Executive Directors based in Hong Kong. Since 4 October 2013, all records of review of significant agreements of the Company or advice given by legal professionals are required to be properly documented. c. A "Contract Tracking List" with pre-assigned sequential contract index has been established is required to be periodically reviewed by the Executive Legal of the South African subsidiaries.
10. External communication mechanism	Incomprehensive external communication policies and procedures.	The Group's Continuous Disclosure Policy has been established and approved by the Board.
11. Investment evaluation mechanism	Incomprehensive investment management policies and procedures.	The Group's Investment Policy has been enhanced and approved by the Board.

CORPORATE GOVERNANCE REPORT

Code Provision A.2.1 requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. As at 31 March 2013, the Company considered that vesting the roles of the chairman and the chief executive officer in the same individual, Mr. Li Ho Yin would facilitate the Group business strategies and maximize operation effectiveness. The Company has subsequently reviewed the structure and complied with the Code provision A.2.1 in April 2013 following appointment of Mr. Li Hok Yin and Mr. Christiaan Rudolph de Wet de Bruin as Co-chairmen of the Company and Mr. Neil Andrew Herrick as Chief Executive Officer of the Company on 26 April 2013.

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

Both the Internal Control Consultant and the Directors are also of the view that the Group has established adequate internal control policies and procedures in all material respects, and the Group currently maintains an adequate and effective internal control system to meet its obligations under the Listing Rules. Since then, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

CHAIRMAN AND CHIEF EXECUTIVE

The Co-chairmen of the Company, namely Mr. Li Hok Yin and Mr. Christiaan Rudolph de Wet de Bruin are responsible for exercising control over the quality, quantity and timeliness of the flow of information between the management of the Company and the Board that would allow them to effectively discharge their responsibilities. The Co-chairmen ensure that the entire Board members are properly briefed on issues at the Board meetings and receive adequate and reliable information on a timely basis. The Board considers that the Co-chairmen are capable to guide discussions and brief the Board in a timely manner on pertinent issues with balance of power and authority delegated to the Board and senior management.

Mr. Neil Andrew Herrick, the Chief Executive Officer of the Company, is responsible for overseeing strategic planning and leadership of the Company. He is also responsible for the strategic development and maintaining the Company's relationship with outside companies of the Company as well as coordinating the Company's business and to market and locate potential business opportunities and execute the policy of the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company, including approval of major acquisition and disposal; annual and interim results; approval of major capital transaction such as change of share capital; repurchase of share and issue of new securities; recommendation on change of directors, chief executives and company secretary of the Company; establishment or amendment of board committees and their respective terms of reference; monitor and review of the internal control policy of the Company; adoption and review of the corporate governance policy and the relevant report to be disclosed annually; and all other significant operation and financial matters.

The Board has also formulated the following terms of reference on duties of corporate governance to be performed by the Board:-

- i. To develop and review the Company's policies on corporate governance and make recommendations to the Board;
- ii. To review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- iii. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- iv. To develop, review and monitor the code of conduct and compliance manual of the Company (if any) applicable to employees and the Directors; and
- v. To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Composition of the Board

The Board currently comprises eight members as follows:

Executive Directors:

Mr. Li Hok Yin (*Co-chairman*)

Mr. Christiaan Rudolph de Wet de Bruin (*Co-chairman*) (*Appointed on 26 April 2013*)

Mr. Neil Andrew Herrick (*Chief Executive Officer*) (*Appointed on 26 April 2013*)

Ms. Cheung Pak Sum

Mr. Igor Levental (*Appointed on 19 August 2013*)

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors:

Mr. Chui Man Lung, Everett

Mr. Li Kam Chung

Mr. Walter Thomas Segsworth (*Appointed on 19 August 2013*)

The biographical information of the Directors and their relationship among the members of the Board, if any, are provided in the “Biographical Details of Directors and Senior Management” section of this annual report.

The principal focus of the Board is on the overall strategic development of the Company. The Board also monitors the financial performance and the internal controls of the Company’s business operations.

With a wide range of expertise and a balance of skills, the Independent Non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation regarding his independence, and the Board considered their independence to the Company. The Independent Non-executive Directors are explicitly identified in all corporate communications of the Company.

The Board held 10 meetings during the financial year ended 31 March 2013. Details of attendance of individual director at board meetings are set out as below:

Name of Directors	Number of meetings held	Number of meetings attended*
<i>Executive Directors</i>		
Mr. Li Hok Yin	10	9
Ms. Cheung Pak Sum	10	10
Mr. Shen Juchen (<i>Resigned on 28 March 2013</i>)	10	0
<i>Independent Non-executive Directors</i>		
Mr. Chui Man Lung, Everett	10	10
Mr. Li Kam Chung	10	9
Mr. Hui Wah Tat, Anthony (<i>Resigned on 26 April 2013</i>)	10	10

* Attendance by any kind of electronic means, such as video conference or telephone conference is included in the number of meetings the directors attended.

CORPORATE GOVERNANCE REPORT

The Board and the management

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis. Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual and interim results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the Chairman in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. At least 14 days notice of all regular board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for discussion.

All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations etc.

Minutes of the board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a board/committee meeting and the interested shareholder or director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Non-executive Director and Independent Non-executive Director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

- Responsibilities accountabilities and contributions of the board and management
- Details of non-compliance, if any (to rules 3.10(1) and (2), and 3.10A)
- Independence of INED (rule 3.13)

CORPORATE GOVERNANCE REPORT

- Relationship between the board members and between the chairman and the chief executive
- How each director complied with A.6.5

DIRECTOR INSURANCE POLICY

The Company has arranged for appropriate liability insurance with effect from 1 April 2012 to indemnify the directors for their liabilities arising out of corporate management activities.

BOARD COMMITTEES

To maximise the effectiveness and efficiency of the Board, the Company has established audit committee, nomination committee and remuneration committee with specific written terms of reference respectively to assist in the execution of their duties. The terms of reference of each of the committees can be inspected and assessed on the Company's website at www.taunggold.com under "About Us" in the section of "Corporate Governance".

The terms of reference of respective board committees will be updated by publishing on the Company's website and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) if there is any amendment on the terms of reference from time to time.

Audit Committee

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. As at the date of this report, the AC consists of three Independent Non-executive Directors, Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Walter Thomas Segsworth, who together have sufficient accounting and financial management expertise and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. Mr. Chui Man Lung, Everett is the Chairman of the AC.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of financial statements and reviewing annual and interim financial statements and reports before submission to the Board and considering and recommending the appointment, reappointment and removal of external auditors of the Company.

The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The Audit Committee is authorized to take independent professional advice at Company's expense, if necessary.

CORPORATE GOVERNANCE REPORT

The AC meets regularly to review the financial results and other information to shareholders, the system of internal control and risk management. The AC also provides an important link between the Board and the Company's auditors in matters within the scope of its terms of reference and keeps under review the independence of auditors.

During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2013 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

During the financial year ended 31 March 2013, 1 AC meetings were held and the individual attendance of each member is set out below:

Name of Audit Committee members	Number of meetings held	Number of meetings attended
Mr. Chui Man Lung, Everett	1	1
Mr. Li Kam Chung	1	0
Mr. Hui Wah Tat, Anthony (<i>Resigned on 26 April 2013</i>)	1	1
Mr. Walter Thomas Segsworth (<i>Appointed on 19 August 2013</i>)	N/A	N/A

Nomination Committee

The Company has established a Nomination Committee ("NC") with specific terms of reference, which deal clearly with its authorities and duties. As at the date of this report, the majority of NC members are Independent Non-executive Directors, which consists of Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Li Hok Yin. Mr. Chui Man Lung, Everett is the Chairman of the NC.

The NC is responsible for the appointment of its own members, identifying appropriate candidate and recommending qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the NC and make appointment if appropriate. Candidates are appointed to the Board on the basis of their integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively.

The NC also assesses the independence of Independent Non-executive Directors and making recommendations to the Board on such appointments or re-election. All directors are also subject to re-election by shareholders at the annual general meeting pursuant to the Bye-laws of the Company. In accordance with the Company's Articles of Association, one-third of the directors who have been longest in office since their last election or re-election are subject to retirement by rotation. All retiring directors are eligible for re-election.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2013, 0 NC meeting was held and the individual attendance of each member is set out below:

Name of Nomination Committee members	Number of meetings held	Number of meetings attended
Mr. Chui Man Lung, Everett	0	0
Mr. Li Kam Chung	0	0
Mr. Hui Wah Tat, Anthony (<i>Resigned on 26 April 2013</i>)	0	0
Mr. Li Hok Yin (<i>Appointed on 26 April 2013</i>)	N/A	N/A

Remuneration Committee

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deal clearly with its authorities and duties. The majority of RC members are Independent Non-executive Directors which consists of Mr. Li Kam Chung, and Mr. Chui Man Lung, Everett are Independent Non-executive Directors; and Mr. Li Hok Yin who is Executive Director of the Company. Mr. Li Kam Chung is the Chairman of the RC.

The RC adopted the model to make recommendations to the board on the remuneration packages of individual executive directors and senior management so that they are responsible for advising the Board on the Company's overall policy and structure for the remuneration of directors and senior management, the remuneration packages of all directors and senior management, review and advise the Board of their performance-based remuneration, review and advising the Board of the compensation to directors and senior management in connection with any loss or termination of their office or appointment. The RC also ensures that no director or any of his associates is involved in deciding his own remuneration.

In recommendation of the emolument payable to directors to the Board, the RC takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment and market conditions.

Individual attendance of each member of the RC Committee is set out below:

Name of Remuneration Committee members	Number of meetings held	Number of meetings attended
Mr. Li Kam Chung	0	0
Mr. Chui Man Lung, Everett	0	0
Mr. Li Hok Yin	0	0

The RC is also authorized to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

CORPORATE GOVERNANCE REPORT

0 RC meetings has been held during the financial year ended 31 March 2013 to review the remuneration packages of directors and senior management, which are nominal by market standards and the Company's performance. The Board considered that the existing remuneration packages to each director and senior management are reasonable and appropriate with reference to the financial performance of the Company, employment and market conditions as a whole.

ACCOUNTABILITY AND AUDIT

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 March 2013, the directors have selected suitable accounting policies and applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective internal controls system to protect and safeguard the interest of shareholders and assets of the Company. The controls are to provide reasonable assurance (but not absolute guarantee) that assets are adequately safeguard, operational controls are in place, business risks are suitably protected and proper accounting records are maintained.

The Board reviews the internal control system of the Group annually and will take any necessary and appropriate action to maintain adequate internal control system to protect and safeguard the interest of shareholders and assets of the Company. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Written Guidelines") for securities transactions by the relevant employees, including the Directors, who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Each of the newly appointed Directors receives comprehensive and formal induction training on or before his appointment, so as to ensure that he/she has an appropriate understanding of the Company's business and the director's duties and responsibilities. In order to allow the Directors to understand the up-to-date development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of training received by the Directors during the relevant period according to the records provided by the Directors is as follows:

Name of Director	Training on corporate governance regulatory development during the relevant period
<i>Executive Directors</i>	
Li Hok Yin	✓
Cheung Pak Sum	✓
Shen Junchen	✓
<i>Independent Non-executive Directors</i>	
Chui Man Lung, Everett	✓
Hui Wah Tat, Anthony	✓
Li Kam Chung	✓

SERVICE CONTRACTS OF DIRECTORS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one month without payment of compensation, other than statutory compensation.

AUDITOR'S REMUNERATION

The financial statements of the Company for the year have been audited by Deloitte Touche Tohmatsu ("Deloitte"). During the year, remuneration of approximately HK\$2,200,000 was charged by Deloitte for provision of audit services.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, press announcements and circulars made through Stock Exchange's websites. The Company has announced its annual results and interim results in a timely manner during the year under review. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In addition, procedures for demanding a poll are included in the circular to shareholders as required under the Listing Rules.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions.

The Company also encourages the shareholders to participating in the decision making process of the Company by the following means under different circumstances:-

Shareholders' enquiries

Shareholders should put their enquiries regarding their shareholdings to the Company's Hong Kong Branch Registrar via hotline 2980 1333 or email to contact@taunggold.com.hk.

Shareholders may request for the Company's publicly available information and/or forward their correspondences to the Company at the principal place of business of the Company or email their enquiries to the Company to contact@taunggold.com.hk.

All the enquiries will be directed to and reviewed by the Company Secretary of the Company. The Company Secretary should summarize the enquiries and submit a copy of the summary to the Board in the next board meeting. Records of all the communications with the shareholders should be maintained by the Company Secretary.

Procedures to put forward proposals in general meeting

Any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates or not less than 100 shareholders holding shares of the Company, are entitled in writing to require a move in the general meeting.

Written requisition attention to the Company Secretary shall be signed and deposited in accordance with the Bermuda Companies Act 1981 (as amended) to put forward proposals in general meeting.

CORPORATE GOVERNANCE REPORT

Procedures to convene special general meeting (“SGM”)

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the voting right at the general meeting are entitled to require to hold SGM by written requisition, duly signed by all the concerned shareholders, deposited to the company secretary of the Company at the principal place of business of the Company.

Written requisition attention to the Company Secretary shall be signed and deposited in accordance with the Company’s Bye-laws and the Bermuda Companies Act 1981 (as amended), require the Company’s Directors to convene a SGM for the transaction of business specified in the written requisition.



TO THE MEMBERS OF TAUNG GOLD INTERNATIONAL LIMITED

壇金礦業有限公司

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Taung Gold International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 133, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Continuing operations:			
Revenue	7	4,592	7,858
Cost of sales		(4,564)	(47,149)
Gross profit (loss)		28	(39,291)
Other income	9	64,144	35,483
Other gains	10	1,870	42
Loss arising from issuance of warrants by a subsidiary	39(c)	–	(140,937)
Loss arising from issuance of put options	40(b)	–	(91,928)
Fair value change on put options	40(b)	7,307	43,636
Fair value change on gross obligation under put options	40(a)	21,397	599,133
Administrative and operating expenses		(39,342)	(29,954)
Impairment loss recognised in respect of exploration assets	19	–	(478,255)
Loss on acquisition of a subsidiary	34(a)	(95,025)	–
Loss on acquisition of an associate	20	(90,228)	–
Share of profit of associates		2,586	1,981
Finance costs	11	(1)	(1)
Loss before taxation		(127,264)	(100,091)
Income tax expense	13	–	–
Loss for the year from continuing operations	14	(127,264)	(100,091)
Discontinued operations:			
Profit for the year from discontinued operations	15	–	12,707
Loss for the year		(127,264)	(87,384)
Other comprehensive expense for the year:			
Exchange difference on translation of foreign operations		(187,892)	(70,437)
Release of foreign currency translation reserve to profit or loss upon disposal of subsidiaries		–	(21,499)
Total comprehensive expense for the year		(315,156)	(179,320)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(150,196)	(229,696)
– from discontinued operations		–	11,884
		(150,196)	(217,812)
Profit for the year attributable to non-controlling interests			
– from continuing operations		22,932	129,605
– from discontinued operations		–	823
		22,932	130,428
		(127,264)	(87,384)
Total comprehensive (expense) income attributable to:			
Owners of the Company		(279,691)	(286,616)
Non-controlling interests		(35,465)	107,296
		(315,156)	(179,320)
		(315,156)	(179,320)
Loss per share			
From continuing and discontinued operations:			
Basic and diluted (HK cents)	16	(1.36)	(3.02)
From continuing operations:			
Basic and diluted (HK cents)		(1.36)	(3.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment	17	4,609	6,280
Mining rights	18	–	–
Exploration assets	19	5,070,000	5,094,795
Interests in associates	20	32,472	29,877
Amount due from an associate	20	29,287	29,287
Loans to shareholders of a subsidiary	21	297,408	310,545
Deposits for rehabilitation	22	1,153	1,374
Promissory notes	23	–	85,000
Other assets	24	–	340
Pledged bank deposits	27	3,093	6,189
		5,438,022	5,563,687
Current assets			
Inventories	25	8,470	8,470
Other receivables	26	24,541	47,019
Promissory notes	23	127,500	171,000
Bank balances and cash	28	236,970	514,637
		397,481	741,126
Assets classified as held for sale	29	450	2,837
		397,931	743,963
Current liabilities			
Other payables and accruals	30	11,015	138,852
Derivative financial instruments			
– put options	40(b)	40,985	48,292
Gross obligation under put options	40(a)	363,759	385,156
		415,759	572,300
Net current (liabilities) assets		(17,828)	171,663
Total assets less current liabilities		5,420,194	5,735,350
Capital and reserves			
Share capital	31	121,799	121,799
Reserves		3,550,354	3,830,045
		3,672,153	3,951,844
Equity attributable to owners of the Company		3,672,153	3,951,844
Non-controlling interests	41	1,748,041	1,783,506
		5,420,194	5,735,350
Total equity		5,420,194	5,735,350

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 April 2014 and were signed on its behalf by:

Mr. Li Hok Yin
Executive Director

Ms. Cheung Pak Sum
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(note a)</i>	Other reserve <i>HK\$'000</i> <i>(note d)</i>	Contributed surplus <i>HK\$'000</i> <i>(note b)</i>	Foreign currency translation reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i> <i>(note c)</i>	Share option reserve <i>HK\$'000</i> <i>(note 39)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i> <i>(note 41)</i>	Total equity <i>HK\$'000</i>
At 1 April 2011 (restated) <i>(note e)</i>	21,979	288,095	(829)	-	147,828	13,125	37,816	1,890	(52,503)	457,401	75,544	532,945
(Loss) profit for the year	-	-	-	-	-	-	-	-	(217,812)	(217,812)	130,428	(87,384)
Exchange difference arising on translation to presentation currency	-	-	-	-	-	(47,305)	-	-	-	(47,305)	(23,132)	(70,437)
Release of foreign currency translation reserve to profit or loss upon disposal of subsidiaries	-	-	-	-	-	(21,499)	-	-	-	(21,499)	-	(21,499)
Total comprehensive (expense) income for the year	-	-	-	-	-	(68,804)	-	-	(217,812)	(286,616)	107,296	(179,320)
Issue of warrants by a subsidiary <i>(note 39(c))</i>	-	-	-	-	-	-	-	-	-	-	140,937	140,937
Issue of shares for acquisition of subsidiaries <i>(note 34(b))</i>	87,000	3,914,984	-	-	-	-	-	-	-	4,001,984	2,168,773	6,170,757
Issue of shares and put options for the potential additional acquisition in subsidiaries <i>(note 40(a))</i>	11,301	508,564	-	(519,865)	-	-	-	-	-	-	(519,865)	(519,865)
Issue of put options to options holders of a subsidiary <i>(note 40(a))</i>	-	-	-	(464,424)	-	-	-	-	-	(464,424)	-	(464,424)
Issue of share on exercise of warrants <i>(note 31)</i>	1,475	45,725	-	-	-	-	(23,600)	-	-	23,600	-	23,600
Issue of shares on exercise of share options <i>(note 31)</i>	44	1,028	-	-	-	-	-	(260)	-	812	-	812
Deemed disposal of partial interests in a subsidiary <i>(note 35(c))</i>	-	-	-	178,914	-	38,423	-	-	-	217,337	(111,519)	105,818
Disposal of subsidiaries <i>(note 35(a))</i>	-	-	-	-	-	-	-	-	-	-	(77,660)	(77,660)
Recognition of equity- settled share-based payment <i>(note 39(a))</i>	-	-	-	-	-	-	-	1,750	-	1,750	-	1,750
Transfer upon lapse of share options	-	-	-	-	-	-	-	(1,630)	1,630	-	-	-
At 31 March 2012	<u>121,799</u>	<u>4,758,396</u>	<u>(829)</u>	<u>(805,375)</u>	<u>147,828</u>	<u>(17,256)</u>	<u>14,216</u>	<u>1,750</u>	<u>(268,685)</u>	<u>3,951,844</u>	<u>1,783,506</u>	<u>5,735,350</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(note a)</i>	Other reserve <i>HK\$'000</i> <i>(note d)</i>	Contributed surplus <i>HK\$'000</i> <i>(note b)</i>	Foreign currency translation reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i> <i>(note c)</i>	Share option reserve <i>HK\$'000</i> <i>(note 39)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i> <i>(note 41)</i>	Total equity <i>HK\$'000</i>
(Loss) profit for the year	-	-	-	-	-	-	-	-	(150,196)	(150,196)	22,932	(127,264)
Exchange difference arising on translation to presentation currency	-	-	-	-	-	(129,495)	-	-	-	(129,495)	(58,397)	(187,892)
Total comprehensive expense for the year	-	-	-	-	-	(129,495)	-	-	(150,196)	(279,691)	(35,465)	(315,156)
Transfer upon cancellation of share options	-	-	-	-	-	-	-	(135)	135	-	-	-
At 31 March 2013	<u>121,799</u>	<u>4,758,396</u>	<u>(829)</u>	<u>(805,375)</u>	<u>147,828</u>	<u>(146,751)</u>	<u>14,216</u>	<u>1,615</u>	<u>(418,746)</u>	<u>3,672,153</u>	<u>1,748,041</u>	<u>5,420,194</u>

Notes:

- (a) Capital reserve represents the difference between the nominal value of the share capital of the Company issued on acquisition of assets through acquisition of subsidiaries and the fair value of the consideration shares issued. Pursuant to a sale and purchase agreement dated 20 June 2008 and a supplemental agreement dated 31 July 2008, the Company issued 10,000,000 consideration shares of HK\$1 each to the vendor as part of the purchase consideration for the acquisition of 70% equity interests in Union Sense Development Limited. The acquisition was completed on 1 December 2008. The fair value of the 10,000,000 consideration shares issued was HK\$9,200,000 which was determined by reference to the published share price at the date of exchange.
- (b) Contributed surplus as at 1 April 2010 represents amounts of HK\$51,562,000 and HK\$96,266,000 arising from (i) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation completed on 2 October 1995 over the nominal value of the share capital of the Company issued in exchange thereof; and (ii) the capital reorganisation during the year ended 31 March 2010 (the "Capital Reorganisation") respectively.

Pursuant to the Capital Reorganisation, (i) the issued share capital of the Company was reduced by cancelling the paid-up capital to the extent of HK\$0.90 on each issued share such that the par value of each issued share was reduced from HK\$1.00 to HK\$0.10, thereby giving rise to a credit of HK\$104,094,000 (the "Capital Reduction"); (ii) the share subdivision involved the sub-division of each authorised but unissued share into ten new shares ("Share Subdivision"); and (iii) upon the Capital Reduction and the Share Subdivision becoming effective, the entire amount standing to the credit of the share premium account of the Company was reduced to nil (the "Share Premium Reduction"). The total credit amount arising from both the Capital Reduction and the Share Premium Reduction was transferred to the contributed surplus account of the Company which would be utilised in accordance with the bye-laws of the Company and all applicable laws including, without limitation, to set-off against the accumulated losses of the Company. The special resolution in relation to the Capital Reorganisation was duly passed by the shareholders at the special general meeting held on 12 November 2009 and became effective on the same date.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- (c) Warrant reserve represents fair value of the warrant subscription amounting to HK\$51,816,000 in relation to the warrant subscription agreement entered into between the Company and Orient Best Holdings Limited (“Orient Best”) on 26 February 2010, pursuant to which the Company agreed to issue and Orient Best agreed to subscribe for 323,848,000 warrants at the issue price of HK\$0.001 per warrant. Each warrant carries the right to subscribe for one share of the Company at an exercise price of HK\$0.16 per warrant during a period of 5 years commencing from (and inclusive of) the date of issue of the warrants.

Warrants were exercised by Orient Best during the year ended 31 March 2012 to subscribe for a total of 147,500,000 shares of HK\$0.01 each by payment of subscription monies of HK\$23,600,000, of which HK\$1,475,000 was credited to share capital, HK\$45,725,000 was credited to share premium and HK\$23,600,000 was debited to warrant reserve.

- (d) Other reserve represent:
- (i) 1,130,141,116 shares of the Company issued to Gold Commercial Services Limited (“Goldcom”) as fully paid at HK\$0.46 per share, being the market price of the Company’s share on date of issue. Goldcom is a third party whose shareholder and sole director is one of the non-controlling shareholders of Taung Gold Limited (“TGL”), who are residents of South Africa (“South African Shareholders”). Goldcom acts as an agent to facilitate the South African Shareholders to sell their shares in TGL to the Group. Details of the arrangement for the Group to acquire TGL’s shares from the South African shareholders are set out in note 40(b)(i);
 - (ii) the gross obligation under put options resulted from the put options granted by the Company to holders of options of TGL, details of which are set out in note 40(a); and
 - (iii) the amounts resulted from the deemed disposal of partial interests in TGL, details of which are set out in note 35(c).
- (e) As set out in note (c), the Company agreed to issue and Orient Best agreed to subscribe for 323,848,000 warrants at the issue price of HK\$0.001 per warrant. At the date of issuance of warrants, the net proceeds from the warrant subscription amounted to approximately HK\$324,000 was received and recorded in the warrant reserve. However, it was not accounted for in accordance with HKAS 32 “Financial Instruments” that the warrant should be measured at its fair value at initial recognition. The fair value of warrants at the date of issuance is HK\$51,816,000. Accordingly, the comparative figures as stated in the respective line items in the consolidated statement of changes in equity as at 1 April 2011 were restated. The prior year adjustment do not have any impact on the financial position of the Group as at 1 April 2011, accordingly, a third statement of financial position has not been presented.

The effects of the prior year adjustments described above on the line items in the statement of consolidated changes in equity as at 1 April 2011 are summarised as follows:

	As previously reported <i>HK\$’000</i>	Fair value adjustment <i>HK\$’000</i>	Issue of shares on exercise of warrants <i>HK\$’000</i>	At 1 April 2011 <i>HK\$’000</i>
Warrant reserve	236	51,492	(13,912)	37,816
Accumulated losses	(1,011)	(51,492)	–	(52,503)
Share premium	274,183	–	13,912	288,095
	273,408	–	13,912	287,320

The warrants were valued at date of issuance using Black Scholes option pricing model. The following inputs were used:

Share price of the Company	HK\$0.28
Exercise price	HK\$0.16
Expected volatility	40%
Expected life	5 years
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company’s share price over the previous year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation			
– continuing operations		(127,264)	(100,091)
– discontinued operations		–	12,525
		<hr/>	<hr/>
		(127,264)	(87,566)
Adjustments for:			
Interest income		(64,144)	(35,483)
Interest expense		1	1
Allowances for inventories		–	18,530
Share-based payment expense		–	1,750
Loss arising from issuance of warrants issued by a subsidiary		–	140,937
Loss arising from issuance of put options		–	91,928
Fair value change on put options		(7,307)	(43,636)
Fair value change on gross obligation under put options		(21,397)	(599,133)
Gain on disposal of property, plant and equipment		(113)	(42)
Share of result of associates		(2,586)	(1,981)
Amortisation of mining rights		–	2,288
Impairment loss recognised in respect of exploration assets		–	478,255
Loss on acquisition of a subsidiary	<i>34(a)</i>	95,025	–
Loss on acquisition of an associate	<i>20</i>	90,228	–
Depreciation of property, plant and equipment		1,636	2,520
Gain on disposal of subsidiaries		–	(18,118)
Gain on disposal of assets classified as held for sale		(1,757)	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(37,678)	(49,750)
Increase in inventories		–	(26,985)
Decrease in trade and other receivables		13,248	6,998
Refund of rental deposits		–	(340)
Decrease in other payables and accruals		(28,726)	(30,041)
		<hr/>	<hr/>
Cash used in operations		(53,156)	(100,118)
Interest paid		(1)	(1)
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(53,157)	(100,119)

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Interest received		18,498	14,852
Refund of deposits paid for acquisition of property, plant and equipment		–	1,410
Placement of pledged bank deposits		(378)	(207)
Withdrawal of pledged bank deposits		2,734	932
Placement of deposits for rehabilitation		(11)	–
Purchase of property, plant and equipment		(887)	(337)
Proceeds from disposal of property, plant and equipment		268	73
Exploration costs incurred		(156,312)	(80,362)
Net cash (outflow) inflow on acquisition of subsidiaries	<i>43(b)& 34(b)</i>	(8,000)	463,928
Net cash inflow on disposal of subsidiaries	<i>35(a)</i>	–	36,871
Acquisition of associates		(47,500)	(27,896)
Refund of deposit received for disposal of coal mining licences		–	(20,000)
Proceeds from disposal of assets classified as held for sale		3,816	–
Advance to an associate		–	(29,287)
		(187,772)	359,977
NET CASH (USED IN) FROM INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Repayment to a director		–	(216)
Proceeds from issue of shares upon exercise of share options		–	812
Proceeds from issue of shares upon exercise of warrants		–	23,600
Proceeds from issue of shares upon exercise of warrants of a subsidiary		–	105,818
		–	130,014
NET CASH FROM FINANCING ACTIVITIES			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(240,929)	389,872
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(36,738)	(31,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		514,637	156,069
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by Bank balances and cash		236,970	514,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 45.

The functional currency of the Company is United States dollars ("USD"). For the convenience of the consolidated financial statements users, the consolidated financial statements are presented in Hong Kong dollars ("HK\$") as shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2013, the Group is in net current liabilities position. The main components of current liabilities are gross obligation under put options of HK\$363,759,000 and derivative financial instruments – put options of HK\$40,985,000.

The directors are of the opinion that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future, taking into consideration that no cash settlement was required for the gross obligation under put options as well as the derivative financial instruments – put options. As set out in note 40, upon the issuance of the put options, the Group has a commitment to settle the contractual obligation by issuing of a maximum of 2,139,757,635 of the Company's shares. Other than that, there were no other financial obligations.

Also, the directors of the Company have given careful consideration to the future liquidity of the Group. In view of that, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for foreseeable future and continue in operational existence. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income ¹
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 19 (Amendments)	Defined benefit plans: Employee contributions ⁵
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ³
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ³
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ⁵
HKFRS 1 (Amendments)	Government loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities ³
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²
HK(IFRIC) – INT 21	Levies ³

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁵ Effective for annual periods beginning on or after 1 July 2014.

⁶ Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) INT – 13 “Jointly controlled entities – Non-monetary contributions by venturers” will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

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

These five standards together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted, provided that all of these five standards are applied at the same time. The directors of the Company anticipate that these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards will have no material impact on amounts reported in the consolidated financial statements.

HKFRS 13 “Fair value measurement”

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of this standard may result in more extensive disclosures in the consolidated financial statements.

HK(IFRIC) – INT 20 “Stripping costs in the production phase of a surface mine”

HK(IFRIC) – INT 20 “Stripping costs in the production phase of a surface mine” applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). Under the interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to natural resources is recognised as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 “Inventories”. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) – INT 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors of the Company anticipate that the application of this interpretation will not have any impact on the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the proportionate share of net assets attributable to the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 “Financial instruments: recognition and measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Acquisition of assets through acquisition of a subsidiary

Where acquisition of a group of assets through acquisition of a subsidiary does not constitute a business, identifiable assets acquired and liabilities assumed will be identified and recognised individually. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. The accounting policies in measuring these assets and liabilities subsequent to the initial recognition are set out in respective notes. Such transactions do not give rise to goodwill or gain on bargain purchase.

Investments in associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue from leasing of mining licences (carried out in the discontinued operations) is recognised on a straight-line basis over the terms of the leasing agreements.

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

Property, plant and equipment

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

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

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

Mining rights

Mining rights acquired separately are initially measured at cost less accumulated amortisation and any identified impairment loss. Amortisation for mining rights is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mine.

Exploration assets

Exploration expenditures are recognised at cost on initial recognition. Subsequent to initial recognition, exploration expenditures are stated at cost less identified impairment loss.

Exploration assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial validity of extracting those resources. Exploration assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration asset may exceed its recoverable amount. An impairment loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either mining rights or mining structures based on nature of assets acquired. These assets are assessed for impairment before reclassification.

Impairment of exploration assets

The carrying amount of the exploration assets is reviewed annually. When one of the following events or changes in circumstances, which is not exhaustive, indicate that the carrying amount may not be recoverable has occurred, impairment test is performed in accordance with HKAS 36 "Impairment of assets".

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

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Retirement benefit costs

Payments to the defined contribution retirement benefit plans are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Current and deferred tax is recognised in profit or loss.

Impairment of tangible and intangible assets

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

Intangible asset with indefinite useful life is tested for impairment annually, and whenever there is an indication that it may be impaired.

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

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

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The accounting policies adopted in respect of loans and receivables are set out below.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Gross obligation under put options on shares of a subsidiary written to non-controlling shareholders and option holders of a subsidiary

Put option written to non-controlling shareholders and option holders of the subsidiary, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability relating to put options written to non-controlling shareholders and option holders of the subsidiary is initially recognised and measured at fair value of the Company's shares that can be required to issue with the corresponding debit to non-controlling interest, and other reserve respectively. In subsequent periods, the re-measurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholders and option holder of the subsidiary is recognised in profit or loss.

Derivative financial instruments

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share-based payment transactions and warrants of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree and warrants held by investors are not exchanged by the Group for its share-based payment transactions or warrants, the acquiree share-based payment transactions and warrants are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested and no condition to warrants attached by the acquisition date, they are included as part of the non-controlling interest in the acquiree.

Share options granted and warrants issued by a subsidiary of the Company

In case of share options granted and warrants issued by a subsidiary, the share option reserve/other reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when share options and/or warrants are exercised, the amount previously recognised in share option reserve/other reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 “Consolidated and separate financial statements” if the exercise of share options and/or warrants does not constitute a loss of the Group’s control over the subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, and the warrants are still not exercised at the expiry date, the amount previously recognised in share option reserve/other reserve (included in non-controlling interests) will be transferred to accumulated losses of the Group and non-controlling interests’ share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling interests on consolidation.

Provision for rehabilitation

Provision for rehabilitation is recognised when the Group has a present obligation as a result of exploration, development and production activities undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

Provision for rehabilitation cost is the best estimate of the present value of the expenditure required to settle the restoration obligation at the end of the reporting period, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated on the same basis as the related asset.

Changes in the estimation of the rehabilitation provision that result from changes in the estimated timing or amount of cash flows, including the effects of revisions to estimated lives of operation or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. Unwinding of the effect of discounting on the provision is recognised as finance cost.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, the directors of the Company have made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience, expectations of future and other information that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of exploration assets

Exploration assets are assessed for impairment annually. The Group's determination of whether exploration assets are impaired requires an estimation of value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the exploration assets (i.e. estimation on the total proved and probable reserves of the mines and future market price of gold) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The directors determined not to pursue certain exploration projects in South Africa and to focus on the Evander Project and the Jeanette Project in South Africa. Impairment loss amounting to nil (2012: HK\$478,225,000) was recognised during the year ended 31 March 2013. As at 31 March 2013, the carrying amount of exploration assets was HK\$5,070,000,000 (2012: HK\$5,094,795,000).

Estimation useful life of exploration assets

The Group's management considers the estimated useful lives of 25 to 30 years for its right to explore gold mines in South Africa. However, the Group holds prospecting rights for one of its significant gold mine projects, Jeanette Project, for 5 years commenced from 26 June 2010. The Group is in the process of consolidating all the prospecting rights into a single prospecting right and after the completion of consolidation and the pre-feasibility study in progress, the Group will apply for a mining right for 30 years. In the opinion of the directors, the applications for mining licences are without difficulties so long as they comply with the requirement as set out in the Mineral and Petroleum Resources Development Act of South Africa. If there is any change of estimation, significant impairment of exploration assets will be resulted.

Impairment loss on loans to shareholders of a subsidiary and promissory notes

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013, the carrying amounts of loans to shareholders of a subsidiary and promissory notes are HK\$297,408,000 (2012: HK\$310,545,000) and HK\$127,500,000 (2012: HK\$256,000,000) respectively.

Allowances for inventories

Management of the Group reviews inventories at the end of the reporting period and assessed the net realisable value of the Group's raw minerals based primarily on the estimated selling prices less all estimated costs necessary to make the sale. If the actual selling price or costs differ from estimate, resulting in a lower net realisable value for such raw minerals, additional allowances may be required. No allowance was made during the year ended 31 March 2013 while an allowance of HK\$18,530,000 was made during the year ended 31 March 2012. As at 31 March 2013, the carrying amount of inventories is HK\$8,470,000 (2012: HK\$8,470,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>703,951</u>	<u>1,121,442</u>
Financial liabilities		
Amortised cost	<u>11,015</u>	<u>138,852</u>
Derivative financial instruments	<u>40,985</u>	<u>48,292</u>
Designated at FVTPL	<u>363,759</u>	<u>385,156</u>

Financial risk management objective and policies

The Group's major financial instruments include loans to shareholders of a subsidiary, promissory notes, amount due from an associate, other receivables, pledged bank deposits, bank balances, other payables and accruals, derivative financial instruments and gross obligation under put options. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain subsidiaries of the Company have bank balances, other receivables and other payables and accruals denominated in foreign currencies, other than the functional currency of respective group companies which expose the subsidiaries to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period:

	Assets		Liabilities	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi ("RMB")	2,029	2,003	-	-
HK\$	191,300	378,282	5,066	3,177
South Africa Rands ("ZAR")	<u>506,029</u>	<u>729,470</u>	<u>5,949</u>	<u>135,675</u>

Sensitivity analysis

The currency risk mainly arises from the exchange rate of USD against ZAR, HK\$ and RMB.

The directors of the Company consider the Group's exposure in USD relative to HK\$ is insignificant since HK\$ is pegged to USD. Accordingly, no sensitivity analysis is presented. The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currency of each group entity against the relevant foreign currencies and all other variables were held constant, translating to the presentation currency, HK\$, at the closing rate at the end of the reporting period. 5% (2012: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies of respective group entities and adjusts its translation at the end of the reporting period for a 5% (2012: 5%) change in the relevant foreign currencies exchange rates. A positive number below indicates a decrease in loss for the year where the relevant foreign currencies strengthen 5% (2012: 5%) against the functional currency of each group entities. For a 5% (2012: 5%) weakening of the relevant foreign currencies against the relevant foreign currencies there would be an equal and opposite impact on the result.

	Profit or loss	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD against RMB impact	101	100
USD against ZAR impact	<u>25,004</u>	<u>29,690</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances, and fair value interest rate risk in relation to fixed-rate promissory note and non-interest bearing loans to shareholders of a subsidiary and amount due from an associate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate pledged bank deposits and bank balances, the analysis is prepared assuming the pledged bank deposits and bank balances at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used for variable-rate pledged bank deposits and bank balances which represents management's assessment of the reasonably possible change in interest rates.

For the variable-rate and pledged bank deposits and bank balances, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by HK\$1,200,000 (2012: HK\$2,604,000).

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Bank balances are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions to be low.

The Group has concentration of credit risk on loan to a shareholder of a subsidiary, amount due from an associate and promissory notes as at 31 March 2013 and 31 March 2012. Management reviews the recoverable amounts of these debts at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the discounted estimated future cash flows and the carrying value. Management closely monitors the subsequent settlements of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Liquidity risk

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

The Group has remaining contractual maturity for its non-derivative financial liabilities of HK\$11,015,000 (2012: HK\$138,852,000). The maturity dates for the non-derivative financial liabilities are all within one year based on the earliest date on which the Group can be required to pay and the agreed repayment dates.

Other price risk

The Group is exposed to price risk in respect of its put options.

The Group is required to estimate the fair value of the derivative financial instrument – put options at the end of the reporting period with changes in fair value to be recognised in profit or loss as long as the put options are outstanding. The fair value adjustment will be mainly affected either positively or negatively, amongst others, by the Company's share market price or Company's equity value in case that the Company's share market price is not available.

Also, the fair value of gross obligation under put options is directly link to the Company's share market price or equity value.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Company's equity price risks at the end of the reporting period. If the Company's equity value had been 5% higher/lower and all other variables were held constant, the Group's loss for the year (as a result of changes in fair value of derivative financial instrument – put options and gross obligation under put options) would increase/decrease by approximately HK\$20,282,000 (2012:HK\$21,675,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair values

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

- Fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- For option-based derivative financial instruments – put options, the fair value is estimated using an appropriate option pricing model; and
- The fair value of gross obligation under put options which are settled by the Company's shares is calculated using equity value of the Company (2012: quoted prices).

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

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2013			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities				
Derivatives financial instruments – put options	–	–	40,985	40,985
Gross obligation under put options	–	–	363,795	363,795
Total	–	–	404,744	404,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31/12/2012			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities				
Derivatives financial instruments – put options	–	–	48,292	48,292
Gross obligation under put options	385,156	–	–	385,156
Total	385,156	–	48,292	433,448

There were no transfer between Level 1 and 2 in the current and prior years. Details of the reconciliation are discussed in note 40.

Capital risk management

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

The capital structure of the Company consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital and reserves. Management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of new debts.

7. REVENUE

Revenue from continuing operations represents the net amounts received or receivable from sale of minerals in the normal course of business, net of discounts and sales related taxes.

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) gold exploration and development in South Africa; and
- (b) trading of minerals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the year ended 31 March 2012, the Group discontinued the coal and gold mining operations in the People's Republic of China ("PRC") as well as loan guarantee service in the PRC. Accordingly, the segment information reported below does not include financial information in respect of these discontinued operations, which are described in more detail in note 15.

Segment revenues and results

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

Continuing operations

For the year ended 31 March 2013

	Gold exploration and development in South Africa HK\$'000	Trading of minerals HK\$'000	Total HK\$'000
Revenue			
External sales	–	4,592	4,592
	<u> </u>	<u> </u>	<u> </u>
Segment profit (loss)	37,421	(18)	37,403
	<u> </u>	<u> </u>	
Other income			3,759
Unallocated corporate expenses			(14,463)
Fair value change on put options			7,307
Fair value change on gross obligation under put options			21,397
Loss on acquisition of a subsidiary			(95,025)
Loss on acquisition of an associate			(90,228)
Share of profit of associates			2,586
			<u> </u>
Loss before taxation			<u>(127,264)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

	Gold exploration and development in South Africa <i>HK\$'000</i>	Trading of minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales	–	7,858	7,858
	<u> </u>	<u> </u>	<u> </u>
Segment loss	(595,848)	(39,518)	(635,366)
	<u> </u>	<u> </u>	
Other income			204
Other gains			22
Unallocated corporate expenses			(17,773)
Loss arising from issuance of put options			(91,928)
Fair value change on put options			43,636
Fair value change on gross obligation under put options			599,133
Share of profit of associates			<u>1,981</u>
Loss before taxation			<u>(100,091)</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) during the years ended 31 March 2013 and 31 March 2012 represents profit (loss) from each segment without allocation of certain other income, other gains, administration and operating expenses, losses on acquisitions of a subsidiary and an associate, fair value change on gross obligation under put options, fair value change on put options, loss arising from issuance of put options and share of profit of associates. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment assets and liabilities

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

At 31 March 2013

	Gold exploration and development in South Africa <i>HK\$'000</i>	Trading of minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	5,595,392	13,117	5,608,509
Property, plant and equipment			1,318
Interests in associates			32,472
Promissory notes			127,500
Other receivables			3,083
Amount due from an associate			29,287
Bank balances and cash			<u>33,784</u>
Consolidated assets			<u><u>5,835,953</u></u>
Liabilities			
Segment liabilities	5,949	–	5,949
Other payables and accruals			5,066
Derivative financial instruments – put options			40,985
Gross obligation under put options			<u>363,759</u>
Consolidated liabilities			<u><u>415,759</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012

	Gold exploration and development in South Africa <i>HK\$'000</i>	Trading of minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	5,875,586	8,525	5,884,111
Property, plant and equipment			1,364
Interests in associates			29,877
Promissory notes			256,000
Other receivables			218
Other assets			340
Amount due from an associate			29,287
Bank balances and cash			<u>106,453</u>
Consolidated assets			<u><u>6,307,650</u></u>
Liabilities			
Segment liabilities	135,675	–	135,675
Other payables and accruals			3,177
Derivative financial instruments – put options			48,292
Gross obligation under put options			<u>385,156</u>
Consolidated liabilities			<u><u>572,300</u></u>

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

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment, interests in associates, promissory notes, certain other receivables, other assets, amount due from an associate and certain bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accruals, derivative financial instruments – put options and gross obligation under put options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other segment information

Continuing operations

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 March 2013

	Gold exploration and development in South Africa <i>HK\$'000</i>	Trading of minerals <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	223	–	664	887
Addition in exploration assets	60,605	–	–	60,605
Addition in deposits for rehabilitation	11	–	–	11
Depreciation of property, plant and equipment	926	–	710	1,636
Gain on disposal of property, plant and equipment	(113)	–	–	(113)
Gain on disposal of assets classified as held for sale	(1,757)	–	–	(1,757)
Imputed interest income on loan to a shareholder of a subsidiary	(42,963)	–	–	(42,963)
	(42,963)	–	–	(42,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

	Gold exploration and development in South Africa <i>HK\$'000</i>	Trading of minerals <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	–	–	337	337
Addition to property, plant and equipment through acquisition of subsidiaries	5,707	–	–	5,707
Addition in exploration assets through acquisition of subsidiaries	5,530,143	–	–	5,530,143
Addition in exploration assets	80,362	–	–	80,362
Addition in deposits for rehabilitation through acquisition of subsidiaries	1,471	–	–	1,471
Allowances for inventories	–	18,530	–	18,530
Depreciation of property, plant and equipment	634	–	641	1,275
Impairment loss recognised in respect of exploration assets	478,255	–	–	478,255
Loss arising from issuance of warrants by a subsidiary	140,937	–	–	140,937
Gain on disposal of property, plant and equipment	(20)	–	(22)	(42)
Imputed interest income on loan to a shareholder of a subsidiary	(20,631)	–	–	(20,631)
	(20,631)	–	–	(20,631)

Revenue from major products and services

The Group's revenue from continuing operations are all from trading of minerals.

Geographical information

The Group's trading of minerals operation is located in Hong Kong, while its gold exploration and development operations are in South Africa.

Based on the shipping or delivery documents of each sales transactions, the Group's revenue from continuing operations by location of its external customers for both years are in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2013, non-current assets of the Group (excluding interests in associates, loans to shareholders of a subsidiary, deposits for rehabilitation, promissory notes, amount due from an associate, other assets and pledged bank deposits) amounting to HK\$5,073,291,000 (2012: HK\$5,099,711,000) and HK\$1,318,000 (2012: HK\$1,364,000) were located in South Africa and Hong Kong respectively.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group from continuing and discontinued operations are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A	–	7,858
Customer B	4,592	–
	4,592	–

All revenue is from trading of minerals.

9. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Imputed interest income on loan to a shareholder of a subsidiary (<i>note 21</i>)	42,963	20,631
Interest income on promissory notes	3,759	177
Interest income on bank deposits	17,422	14,663
Interest income on interest bearing receivable	–	12
	64,144	35,483

10. OTHER GAINS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Gain on disposal of assets, classified as held for sale	1,757	–
Gain on disposal of property, plant and equipment	113	42
	1,870	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE COSTS

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Other interest expense	<u>1</u>	<u>1</u>

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the six (2012: six) directors and the chief executive were as follows:

	2013					2012				
	Fees	Salaries and other benefits	Share option benefits	Contributions to retirement benefits schemes	Total	Fees	Salaries and other benefits	Share option benefits	Contributions to retirement benefits schemes	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors										
Mr. Li Hok Yin (<i>note</i>)	-	559	-	15	574	-	559	269	12	840
Mr. Shen Junchen (resigned on 28 March 2013)	-	-	-	-	-	-	-	-	-	-
Ms. Cheung Pak Sum	-	560	-	15	575	-	480	269	12	761
Independent non-executive directors										
Mr. Hui Wah Tat, Anthony	100	-	-	-	100	90	-	269	-	359
Mr. Li Kam Chung	100	-	-	-	100	87	-	269	-	356
Mr. Chiu Man Lung, Everett	100	-	-	-	100	93	-	269	-	362
Total	<u>300</u>	<u>1,119</u>	<u>-</u>	<u>30</u>	<u>1,449</u>	<u>270</u>	<u>1,039</u>	<u>1,345</u>	<u>24</u>	<u>2,678</u>

Note: Mr. Li Hok Yin is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, nil (2012: nil) were directors of the Company. The emoluments of the remaining five (2012: five) individuals were as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salaries and other benefits	12,522	5,006
Contributions to retirement benefits schemes	–	12
Share option benefits	–	269
	12,522	5,287
	12,522	5,287

The emolument of the five (2012: five) individuals for the year was within the following bands:

	2013 <i>No. of employees</i>	2012 <i>No. of employees</i>
nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	–	4
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
	5	5
	5	5

During both years, no emoluments were paid by the Group to the directors, chief executive or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors of the Company waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSE

Continuing operations

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries incorporated in Hong Kong have no assessable profits for both years.

Under South African tax law, the corporate tax rate is 28% for both years on taxable profits of the South African subsidiaries. No provision for taxation has been made as the subsidiaries in South Africa have no assessable profits for both years.

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

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation (from continuing operations)	(127,264)	(100,091)
Tax at South African profits tax rate of 28% (2012: 28%)	(35,634)	(28,025)
Tax effect of expenses not deductible for tax purpose	31,040	69,049
Tax effect of income not taxable for tax purpose	(18,305)	(112,163)
Tax effect of tax losses not recognised	3,960	128,150
Effect of difference tax rates of subsidiaries operating in other jurisdictions	18,939	(57,011)
Income tax expense for the year (relating to continuing operations)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	2,865	1,963
Cost of inventories recognised as an expense	4,564	28,619
Depreciation of property, plant and equipment	1,636	1,275
Operating lease rentals in respect of rented premises	2,568	1,928
Allowances for inventories (included in cost of sales)	–	18,530
Net exchange loss	212	1,459
Staff costs (including directors' emoluments (as disclosed in <i>note 12</i>))		
– Salaries and other benefits	33,374	18,295
– Contributions to retirement benefits schemes	112	91
– Share-based payment expense (<i>note 39(a)</i>)	–	1,750
	33,486	20,136
Less: Amount capitalised in exploration assets	(14,389)	(8,846)
	19,097	11,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. DISCONTINUED OPERATIONS

For the year ended 31 March 2012

As set out in the announcements of the Company dated 19 March 2012, 7 October 2011 and 17 August 2011, the Company entered into sale and purchase agreements with independent third parties to dispose of the entire issued share capital of the subsidiaries which carried out the Group's entire gold mining, coal mining and loan guarantee service in the PRC ("Disposal Groups") respectively. The disposals were effected in order to focus on the Group's core business of gold exploration and development in South Africa. The disposals of subsidiaries engaged in gold mining, coal mining and loan guarantee operations in the PRC were completed on 31 March 2012, 13 March 2012 and 29 March 2012 ("Date of Disposal") respectively, on which dates the control of those subsidiaries were passed to the acquirers.

The (loss) profit for the period from 1 April 2012 to Date of Disposal from the discontinued operations is set out below:

	Gold mining operation in the PRC	Coal mining operation in the PRC	Loan guarantee service in the PRC	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss of operation for the period	(1,287)	(2,735)	(1,389)	(5,411)
Gain (loss) on disposal of the operations <i>(note 35 (a))</i>	7,531	14,998	(4,411)	18,118
	6,244	12,263	(5,800)	12,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The results of the discontinued operations for the period from 1 April 2011 to Date of Disposal, which had been included in the consolidated statement of comprehensive income for the year ended 31 March 2012, were as follows:

	Gold mining operation in the PRC HK\$'000	Coal mining operation in the PRC HK\$'000	Loan guarantee service in the PRC HK\$'000	Total HK\$'000
Revenue	–	–	659	659
Cost of sales	(977)	(2,646)	(34)	(3,657)
Other income	–	–	105	105
Administrative and operating expenses	(499)	(89)	(2,112)	(2,700)
Loss before taxation	(1,476)	(2,735)	(1,382)	(5,593)
Income tax credit (expense)	189	–	(7)	182
Loss of operation for the period	<u>(1,287)</u>	<u>(2,735)</u>	<u>(1,389)</u>	<u>(5,411)</u>

Loss for the period from 1 April 2011 to Date of Disposal from discontinued operations included the following:

	Gold mining operation in the PRC HK\$'000	Coal mining operation in the PRC HK\$'000	Loan guarantee service in the PRC HK\$'000	Total HK\$'000
Auditor's remuneration	–	73	28	101
Depreciation of property, plant and equipment	66	1,174	5	1,245
Amortisation of mining rights (included in cost of sales)	816	1,472	–	2,288
Operating lease rentals in respect of rental premises	56	–	264	320
Staff costs				
– Salaries and other benefits	51	–	495	546
– Contributions to retirement benefits schemes	–	–	–	–
	<u>51</u>	<u>–</u>	<u>495</u>	<u>546</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The discontinued operations incurred/contributed the following cash flows during the year ended 31 March 2012:

	Gold mining operation in the PRC <i>HK\$'000</i>	Coal mining operation in the PRC <i>HK\$'000</i>	Loan guarantee service in the PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net operating cash flows	(602)	197	(1,024)	(1,429)
Net investing cash flows	–	(20,000)	923	(19,077)
Net financing cash flows	3,164	20,018	(15,612)	7,570
	3,164	20,018	(15,612)	7,570

The carrying amounts of the assets and liabilities of the Disposal Groups at the Date of Disposal are disclosed in note 35(a).

16. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the consolidated loss of HK\$150,196,000 (2012: HK\$217,812,000) attributable to the owners of the Company for the two years ended 31 March 2013 and 2012 respectively and on the number of shares as follows:

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	11,049,775	7,217,125

The incremental shares from assumed exercise of share options, warrants, put options and share options and warrants issued by a subsidiary are excluded in calculating the diluted loss per share for the years ended 31 March 2013 and 2012 because they are antidilutive in calculating the diluted loss per share from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From continuing operations

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

Loss figures are calculated as follows:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(150,196)	(217,812)
Less: Profit for the year from discontinued operations	-	(11,884)
Loss for the purposes of basic and diluted loss per share from continuing operations	(150,196)	(229,696)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earnings per share for the discontinued operations for the year ended 31 March 2012 was HK0.16 cent per share, which is computed based on the profit for the year from the discontinued operations of HK\$11,884,000 and the denominators detailed above for the basic and diluted earnings per share from continuing and discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

	Mining infrastructure <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2011	11,461	616	2,951	303	15,331
Exchange adjustments	408	(73)	(281)	(73)	(19)
Additions	-	-	141	196	337
Disposals	-	-	-	(37)	(37)
Acquisition of subsidiaries <i>(note 34 (b))</i>	-	1,499	3,414	794	5,707
Disposals of subsidiaries	(11,869)	(646)	(73)	-	(12,588)
At 31 March 2012	-	1,396	6,152	1,183	8,731
Exchange adjustments	-	(235)	(663)	(194)	(1,092)
Additions	-	-	216	671	887
Disposals	-	-	(40)	(208)	(248)
At 31 March 2013	-	1,161	5,665	1,452	8,278
DEPRECIATION					
At 1 April 2011	1,146	39	1,161	61	2,407
Exchange adjustments	54	2	(33)	1	24
Provided for the year	1,174	59	1,123	164	2,520
Eliminated on disposals	-	-	-	(6)	(6)
Eliminated on disposals of subsidiaries	(2,374)	(100)	(20)	-	(2,494)
At 31 March 2012	-	-	2,231	220	2,451
Exchange adjustments	-	-	(254)	(71)	(325)
Provided for the year	-	-	1,324	312	1,636
Eliminated on disposals	-	-	(30)	(63)	(93)
At 31 March 2013	-	-	3,271	398	3,669
CARRYING VALUES					
At 31 March 2013	<u>-</u>	<u>1,161</u>	<u>2,394</u>	<u>1,054</u>	<u>4,609</u>
At 31 March 2012	<u>-</u>	<u>1,396</u>	<u>3,921</u>	<u>963</u>	<u>6,280</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Mining infrastructure	10%
Plant and machinery	10% – 16.7%
Furniture and equipment	16.7% – 33%
Motor vehicles	20%

18. MINING RIGHTS

	<i>HK\$'000</i>
COST	
At 1 April 2011	288,225
Reversal on reclassification from assets held for sale	91,405
Disposals of subsidiaries	(393,145)
Exchange adjustment	13,515
At 31 March 2012 and 2013	–
AMORTISATION	
At 1 April 2011	7,105
Reversal on reclassification from assets held for sale	4,045
Disposals of subsidiaries	(13,861)
Amortisation for the year	2,288
Exchange adjustment	423
At 31 March 2012 and 2013	–
CARRYING VALUES	
At 31 March 2013	–
At 31 March 2012	–

The mining rights represented the rights to conduct mining activities in various coal mines and gold mines situated in the PRC and were amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of mines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. EXPLORATION ASSETS

	<i>HK\$'000</i>
At 1 April 2011	–
Acquisition of subsidiaries (<i>note 34 (b)</i>)	5,530,143
Addition	80,362
Classified as held for sale (<i>note 29</i>)	(2,837)
Impairment loss recognised in profit or loss	(478,255)
Exchange adjustment	<u>(34,618)</u>
At 31 March 2012	5,094,795
Addition	60,605
Exchange adjustment	<u>(85,400)</u>
At 31 March 2013	<u><u>5,070,000</u></u>

The exploration assets principally represented the mining right and prospecting right for the gold mining projects in South Africa, namely, the Evander Project and the Jeanette Project. A mining right for Evander Project is valid for 26 years commenced from 18 July 2012 until 28 April 2038, while prospecting right for Jeanette Project is valid for 5 years commenced from 26 June 2010. In the opinion of the directors, the renewal of licences and application for mining licences are without difficulties so long as the applicant complies with the requirements as set out in the Mineral and Petroleum Resources Development Act of South Africa.

In the preparation of the consolidated financial statements for the financial year ended 31 March 2012, the directors of the Company have assessed the recoverable amount of the exploration assets relating to the Evander Project and the Jeanette Project as at 31 March 2012 based on estimations of their fair values. The management applied discount cashflow approach to assess the fair value of the exploration assets relative to the Evander Project and the Jeanette Project. The discount cashflow approach is based on an effective discount rate of 17.32% and cash flow projection prepared from financial forecasts covering a mine life period until the mine resources run out based on probable reserves. Other key assumptions for the fair value calculation related to the estimation of cash inflows/outflows which include expected future inflation rates, affecting operating and capital costs, ZAR/USD exchange rates, gold prices and production rate, such estimation is based on the estimation provided by the management. Based on the fair value estimation, the carrying amounts of the exploration assets relating to the Evander Project and the Jeanette Project exceed their recoverable amounts and an impairment loss of HK\$410,285,000 was recognised during the year ended 31 March 2012. At the end of the current reporting period, the directors of the Company are of the opinion that there was no other indication for impairment of the exploration assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other than the Evander Project and the Jeanette Project, TGL and its subsidiaries also have several mining rights with smaller scales. The management carried out assessments regularly on the profitability for these small scale projects. As the Group increasingly focused on the Evander Project and the Jeanette Project in South Africa, the directors determined not to pursue certain exploration projects in South Africa after reviewing the latest available information of these projects and accordingly, recognised in profit or loss a full impairment loss on these projects of HK\$67,970,000 during the year ended 31 March 2012.

During the year ended 31 March 2013, no revenue was generated from these exploration assets and expense relating to the exploration assets in gold exploration and development operation in South Africa was HK\$24,834,000 (2012: HK\$11,954,000). Net cash used in operating activities is HK\$23,908,000 (2012: HK\$11,320,000).

20. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM AN ASSOCIATE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of investments in associates – unlisted	118,133	27,896
Share of post-acquisition profits and other comprehensive income	4,567	1,981
Less: Impairment loss recognised in profit or loss	(90,228)	–
	32,472	29,877
Amounts due from an associate	29,287	29,287

On 25 May 2012, the Group entered into a sale and purchase agreement with a third party (“Vendor A”) pursuant to which the Group acquired 49% equity interest in H & M Natural Resources Limited (“H & M”) at a total consideration of HK\$90,228,000. The principal asset of H & M is the mine operating cooperation agreement (“Nickel Co-op Agreement”) assigned to H & M by Vendor A. Pursuant to the Nickel Co-op Agreement, H & M may carry out the Nickel mining activities in Kolaka, Indonesia. However, it was subsequently found out that the contractual arrangements provided under the Nickel Co-op Agreement were not in line with the requirements and restrictions under the Law of the Republic of Indonesia No. 4 of 2009 concerning Mineral and Coal Mining (“Mining Law”) and Government Regulation No. 23 of 2010 concerning Implementation of Mineral and Coal Mining Business Activities as amended by the Government Regulation No. 24 of 2012 (“Government Regulation 23”) and accordingly, based on the legal advice of Indonesian legal counsel, H & M could not carry out the Nickel mining activities without breaching local laws and regulations. As a result, an impairment loss of HK\$90,228,000 is recognised in profit or loss during the year ended 31 March 2013. Subsequently on 17 March 2014, the Group entered into another sale and purchase agreement with Vendor A who agreed to re-acquire the 49% equity interest in H & M from the Group at the original consideration of HK\$90,228,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount due from an associate is unsecured, interest-free and in the opinion of the directors, the balance is not expected to be recovered within next twelve months from the date of the reporting period.

As at 31 March 2013 and 31 March 2012, the Group had interest in the following associates:

Name of entity	Form of entity	Country/ place of incorporation	Country/ place of operation	Class of shares held	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activities
					2013	2012	2013	2012	
Goldster Global Limited (Note a)	Incorporated	British Virgin Islands ("BVI")	Hong Kong	Ordinary	45%	45%	45%	45%	Investment holding
Great Global Farming (Holdings) Limited ("Great Global")	Incorporated	Hong Kong	Hong Kong	Ordinary	45%	45%	45%	45%	Investment holding
Oneshine Investments Limited ("Oneshine")	Incorporated	BVI	Hong Kong	Ordinary	44%	44%	44%	44%	Trading of coal (Note b)
H & M	Incorporated	BVI	Hong Kong	Ordinary	49%	N/A	49%	N/A	Exploration development and mining of nickel related minerals (Note b)
貴州五禾農業發展 有限公司 (Note c)	Incorporated	PRC	PRC	Capital contribution	45%	N/A	45%	N/A	Forestry (Note b)

Note:

- (a) Goldster Global Limited was a wholly-owned subsidiary of the Company prior to the disposal during the year ended 31 March 2012. On 2 September 2011, the Company disposed of 55% equity interest in Goldster Global Limited to a third party. Details of the disposal are set out in note 35(b). Great Global is the wholly-owned subsidiary of Goldster Global Limited.
- (b) The operations were not yet commenced during the year ended 31 March 2013.
- (c) 貴州五禾農業發展有限公司 was newly established during the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Total assets	160,419	128,324
Total liabilities	<u>(87,918)</u>	<u>(62,025)</u>
Net assets	<u><u>72,501</u></u>	<u><u>66,299</u></u>
Group's share of net assets of associates	<u><u>32,472</u></u>	<u><u>29,877</u></u>
Revenue for the year	<u><u>202</u></u>	<u><u>–</u></u>
Profit for the year	<u><u>5,532</u></u>	<u><u>4,456</u></u>
Group's share of profits and other comprehensive income of associates for the year	<u><u>2,586</u></u>	<u><u>1,981</u></u>

21. LOANS TO SHAREHOLDERS OF A SUBSIDIARY

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sephaku Gold Holdings (Proprietary) Limited ("SepGold")	268,616	275,200
Other various shareholders of TGL	<u>28,792</u>	<u>35,345</u>
	<u><u>297,408</u></u>	<u><u>310,545</u></u>

SepGold is a historically disadvantaged South African company in terms of broad-based black economic empowerment requirements in South Africa. Loan to SepGold is interest free up to 31 December 2014. The loan is secured by the pledge of 39,402,071 shares of TGL. 50% of any dividend declared by TGL in any financial year due to SepGold shall be applied towards the repayment of the loan. The loan will carry interest at the prime rate quoted by ABSA Bank Limited in South Africa plus 4% per annum after 31 December 2014. The principal amount of the loan to SepGold is ZAR433,066,688 (equivalent to HK\$439,975,000) and the fair value of the loan HK\$439,975,000 is determined based on the effective interest rate of 16.21% per annum as at that date based on expected repayment date of the loan on 31 December 2014. During the year, imputed interest income amounting to HK\$42,963,000 (2012: HK\$20,631,000) is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Aggregated loans to various other shareholders of TGL amounting to HK\$22,810,000 (2012: HK\$28,239,000) are unsecured, interest free and repayable on demand. In the opinion of the directors, they are repayable 6 months after the Company's shares are able to be traded on the Stock Exchange. The remaining loan amounting to HK\$5,982,000 (2012: HK\$7,106,000) is unsecured, interest free and repayable on demand. None of the balance of HK\$28,792,000 was recovered within next twelve months from the date of the reporting period.

Certain of these various other shareholders of TGL are also directors of TGL or a company in which a director of TGL has a beneficial interest. Loans to officers disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Balance at 31.3.2013 <i>HK\$'000</i>	Balance at 1.4.2012 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Mr. C.R. de Wet de Bruin	3,748	4,508	4,508
Mr. D. Strydom	268	322	322
Mr. D.L. Kyle	134	161	161
Mr. J.W. Wessels	67	81	81
African Precious Minerals Limited	5,982	7,106	7,106

Mr. C.R. de Wet de Bruin, Mr. D. Strydom, Mr. D.L. Kyle and Mr. J.W. Wessels are directors of TGL while Mr. C.R. de Wet de Bruin has been appointed as a director of the Company since 26 April 2013. Mr. C.R. de Wet de Bruin has a beneficial interest in African Precious Minerals Limited.

22. DEPOSITS FOR REHABILITATION

Pursuant to section 41 of the Minerals and Petroleum Development Act of South Africa, an applicant for a prospecting right, mining right or mining permit must make the prescribed financial provision for the rehabilitation or management of negative environmental impacts. At 31 March 2013, the Group made deposits of HK\$1,153,000 (2012: HK\$1,374,000) to the Department of Mineral Resources in South Africa. In addition, at 31 March 2013, the Group also provided bank guarantees of ZAR2,527,000 (equivalent to HK\$2,119,000) (2012: ZAR2,327,000 and equivalent to HK\$2,364,000) to the Department of Mineral Resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PROMISSORY NOTES

Pursuant to a sale and purchase agreement entered into between the Company and Hua Xiong Development Limited (“Hua Xiong”), an independent third party, dated 7 October 2011, the Group agreed to dispose of the entire issued share capital of Bless Luck International Limited (“Bless Luck”), a then wholly owned subsidiary of the Company, and sale loan of approximately HK\$191 million at an aggregate consideration of HK\$195,000,000, of which HK\$170,000,000 was satisfied by four promissory notes with principal amounts of HK\$42,500,000 each with maturity dates on 13 September 2012, 13 March 2013, 13 September 2013 and 13 March 2014 issued by Hua Xiong and the remaining HK\$25,000,000 was satisfied by cash. The promissory notes are transferrable, are secured by charge on all shares of Bless Luck and carry interest at a rate of 2% per annum.

Pursuant to a sale and purchase agreement entered between the Company and Sharp Volition Limited (“Sharp Volition”), an independent third party, dated 19 March 2012, the Group agreed to dispose of the entire issued share capital of Longold Win Limited (“Longold”), a then wholly owned subsidiary of the Company, and sale loan of approximately HK\$91 million at an aggregate consideration of HK\$96,000,000, of which HK\$86,000,000 was satisfied by two promissory notes with principal amounts of HK\$41,000,000 and HK\$45,000,000 with maturity dates on 28 September 2012 and 29 March 2013 respectively issued by Sharp Volition and the remaining HK\$10,000,000 was satisfied by cash. The promissory notes are transferrable, are secured by charge on all shares of Longold and carry interest at a rate of 1.5% per annum.

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed as		
Current	127,500	171,000
Non-current	–	85,000
	127,500	256,000
Fixed-rate loan receivables		
Within one year	127,500	171,000
In more than one year but not more than two years	–	85,000
	127,500	256,000

Promissory notes are all denominated in HK\$, which is a currency other than the functional currency of the Company.

All promissory notes outstanding as at 31 March 2013 were subsequently used as settlements of consideration for sale and purchase agreements entered into with independent third parties. Details of this are set out in note 44(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. OTHER ASSETS

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental deposits	–	340
	<u>–</u>	<u>340</u>

25. INVENTORIES

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods – minerals	8,470	8,470
	<u>8,470</u>	<u>8,470</u>

As at 31 March 2012, inventories represented nickel ores in Indonesia which the Group is unable to export these ores to its overseas customers due to export ban was imposed on the ores issued by the Indonesian government in January 2014. Accordingly, an allowance of HK\$18,530,000 was made on these ores as the Group is unable to determine the eventual manner of recovery of these ores.

26. OTHER RECEIVABLES

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and other deposits	3,801	–
VAT receivables	11,047	42,235
Other receivables	9,693	4,784
	<u>24,541</u>	<u>47,019</u>

27. PLEDGED BANK DEPOSITS

At 31 March 2013, the Group pledged bank deposits of ZAR3,661,000 (equivalent to HK\$3,093,000) (2012: ZAR6,092,000 (equivalent to HK\$6,189,000)) mainly for bank guarantees provided to the Department of Mineral Resources in South Africa. The pledged bank deposits carry variable interest rate ranging from 4.5% to 5% (2012: 4.5% to 5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. BANK BALANCES AND CASH

Bank balances comprise bank deposits held by the Group with an original maturity of three months or less. The bank balances carry effective interest rates ranging from 0.1% to 5% (2012: 0.1% to 5%) per annum.

The Group's bank balances that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
RMB	2,029	2,003
HK\$	31,809	92,818
	33,838	94,821

As at 31 March 2013, bank balances and cash of HK\$2,029,000 (2012: HK\$2,003,000) were denominated in RMB which is not freely convertible into other currencies.

29. ASSETS CLASSIFIED AS HELD FOR SALE

The Group decided to focus on the core assets in South Africa. Accordingly, certain early stage exploration projects of the Group in South Africa were put up for sale. During the year ended 31 March 2012, the Group entered into sale and purchase agreements with independent parties to dispose of certain exploration assets with carrying amount of HK\$2,837,000. As at 31 March 2013, the carrying amount of assets classified as held for sale is HK\$450,000 (2012: HK\$2,837,000).

Subsequently up to the date of authorisation for the issuance of the consolidated financial statements, all sale and purchase agreements related to assets classified as held for sale were completed.

30. OTHER PAYABLES AND ACCRUALS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
VAT payables	1,940	19,477
Other payables	2,447	7,695
Other accruals	6,628	5,005
Consideration payable for exploration assets	–	106,675
	11,015	138,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2011		15,000,000,000	150,000
Increase on 19 August 2011	<i>(a)</i>	15,000,000,000	150,000
At 31 March 2012 and 31 March 2013		30,000,000,000	300,000
Issued:			
At 1 April 2011		2,197,909,600	21,979
Exercise of share options (<i>note 39(a)</i>)	<i>(b)</i>	4,400,000	44
Exercise of warrant	<i>(c)</i>	147,500,000	1,475
Issued as consideration for the acquisition of the issued share capital of TGL	<i>(d)</i>	8,699,964,972	87,000
Issued for potential acquisition of addition interest in TGL	<i>(e)</i>	1,130,141,116	11,301
At 31 March 2012 and 31 March 2013		12,179,915,688	121,799

All shares issued during the year ended 31 March 2012 ranked pari passu in all respects with other shares in issue.

Notes:

- (a) Pursuant to the resolution passed on 19 August 2011, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of additional 15,000,000,000 ordinary shares of HK\$0.01 each.
- (b) Share options were exercised by option holders during the year ended 31 March 2012 to subscribe for 4,400,000 shares at an exercise price of HK\$0.1846 per share.
- (c) Warrants were exercised by the warrant holder during the year ended 31 March 2012 to subscribe for 147,500,000 shares at an exercise price of HK\$0.16 per share.
- (d) As consideration for the acquisition of the 75.81% of the issued share capital of TGL, the Company issued 8,699,964,972 ordinary shares to vendors on 8 September 2011. Details of the acquisition are set out in note 34(b).
- (e) As part of an arrangement to acquire additional interest in TGL, the Company issued 1,130,141,116 ordinary shares to Goldcom to facilitate the South African Shareholders to sell their shares in TGL to the Group. Details of the arrangement are set out in note 40(b)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Warrants issued by the Company

Pursuant to a warrant subscription agreement entered into with an independent investor, Orient Best, dated 26 February 2010, the Company agreed to issue and Orient Best agreed to subscribe for 323,848,000 warrants on 10 March 2010 at the issue price of HK\$0.001 per warrant. Each of the warrants carries the right to subscribe for one share at the exercise price of HK\$0.16 per warrant during a period of 5 years commencing from the date of issue of the warrants. There was no warrant exercised during the year ended 31 March 2013. During the year ended 31 March 2012, Orient Best exercised the warrants to subscribe for 147,500,000 ordinary shares in the Company.

At 31 March 2013 and 2012, the Company had outstanding 88,848,000 warrants.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised by the Group and movements thereon, during the current and prior years:

	Fair value adjustment on acquisition in mining rights HK\$'000
At 1 April 2011	26,265
Credit to profit and loss	(189)
Exchange differences	1,949
Disposal of subsidiaries (<i>note 35(a)</i>)	(28,025)
At 31 March 2012 and 31 March 2013	-

At the end of the reporting period, the Group had estimated unused tax losses of HK\$488,094,000 (2012: HK\$473,951,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All tax losses at 31 March 2013 may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PROVISION FOR REHABILITATION

	<i>HK\$'000</i>
At 1 April 2011	320
Provision made in the year	11
Disposal of subsidiaries (<i>note 35(a)</i>)	(331)
	—
At 31 March 2012 and 31 March 2013	—

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue for the cost of land reclamation and mine closures for its mines in the PRC. The provision for rehabilitation was determined by the directors based on their best estimates by reference to relevant PRC rules and regulations.

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets through purchase of a subsidiary, Saint Ford Group Limited (“Saint Ford”)

For the year ended 31 March 2013

On 7 January 2013, the Group entered into a sale and purchase agreement with a third party (“Vendor B”) pursuant to which the Group acquired 75% equity interest in Saint Ford for a total consideration of HK\$95,025,000. The principal asset of Saint Ford is the gold mining right assignment agreement (“Gold Assignment Agreement”) entered into between Saint Ford and a gold mine owner. Pursuant to the Gold Assignment Agreement, Saint Ford may carry out the gold mining activities in Kotamobagu, Indonesia. However, it was subsequently found out that the contractual arrangements provided under the Gold Assignment Agreement are not in line with the requirements and restrictions under the Mining Law and the Government Regulation 23 and accordingly, based on the legal advice of Indonesian legal counsel, Saint Ford could not carry out the gold mining activities without breaching local laws and regulations. As a result, an impairment loss of HK\$95,025,000 was recognised in profit or loss for the year ended 31 March 2013. Subsequently, on 17 March 2014, the Group entered into another sale and purchase agreement with Vendor B who agreed to re-acquire the 75% equity interest in Saint Ford from the Group at the original consideration of HK\$95,025,000 and a deposit of HK\$15,025,000 is received.

Acquisition-related costs amounting to HK\$157,000 have been excluded from the consideration transferred and recognised in profit or loss.

Saint Ford did not generate any revenue and incur any expense for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Acquisition of assets through purchase of a subsidiary, TGL

For the year ended 31 March 2012

Pursuant to an acquisition agreement dated 28 January 2011, an amendment agreement dated 22 March 2011 and a second amendment agreement dated 22 July 2011, the Group acquired directly and indirectly 193,827,783 shares, representing approximately 75.81% of the issued share capital of TGL by issuing 8,699,964,972 shares of the Company to the vendors on 8 September 2011 (the "Completion Date"), the date on which the acquisition was completed.

TGL and its subsidiaries (collectively "TGL Group") are engaged in the acquisition, exploration and development of mineral assets in respect of gold and minerals associated with gold located in South Africa. Its primary assets are the Evander Project and the Jeanette Project for which the feasibility studies of the Evander Project was just commenced and still in progress while the Jeanette Project has not yet been commenced at the Completion Date. As detailed in note 5, the directors of the Company are of the opinion that the acquisition of TGL constitutes an acquisition of assets instead of an acquisition of business due to the primary assets are still at a very early exploration stage and further procedures are required so as to prove them to be economically feasible in development.

Consideration transferred

	<i>HK\$'000</i>
Shares issued	<u>4,001,984</u>

The fair value of the 8,699,964,972 consideration shares was HK\$4,001,984,000 at the Completion Date, which was determined by reference to the closing market price of the Company's share of HK\$0.46 on the Completion Date.

Acquisition-related costs amounting to HK\$4,592,000 have been excluded from the consideration transferred and recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Assets acquired and liabilities recognised at the Completion Date are as follows:

	Completion Date
	<i>HK\$'000</i>
Property, plant and equipment	5,707
Exploration assets (<i>note c</i>)	5,530,143
Deposits for rehabilitation	1,471
Loans to shareholders	303,354
Other receivables	28,881
Pledged bank deposits	5,866
Bank balances and cash	463,928
Loan from shareholders	(758)
Other payables and accruals	<u>(167,835)</u>
	6,170,757
Non-controlling interests:	
– warrants of TGL held by warrant holder (<i>note a</i>)	(430,282)
– options of TGL held by TGL Share Option Scheme (as defined in note 39(b)) holders (<i>note a</i>)	(461,509)
– Share of net assets (<i>note b</i>)	<u>(1,276,982)</u>
Total consideration	<u><u>4,001,984</u></u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u><u>463,928</u></u>

Notes:

- (a) The non-controlling interests in TGL attributable to warrants and options recognised at the acquisition date was measured by reference to fair value of options (as disclosed in note 39(b) and warrants. The fair value of the warrants valued using Black Scholes option pricing model and the inputs were as follows:

Share price of TGL	ZAR22.61
Exercise price	ZAR5
Expected volatility	42.45%
Expected life	2.67 years
Expected dividend yield	0%

The share price of TGL shares were estimated by the share price of the Company at the date of acquisition and share exchange ratio as specified in note 40. Expected volatility was determined with reference to the average daily volatility of comparatives;

- (b) The non-controlling interests are determined by proportionate share of assets acquired and liabilities recognised of TGL after taking into consideration the fair value of warrants and options of TGL at the Completion Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (c) The initial carrying amount of exploration assets recognised by the Group at the date of acquisition was derived from the fair value of total consideration less the fair value of the assets and liabilities of TGL other than the exploration assets, and after taking into consideration the fair value of warrants and options of TGL held by warrant holders and TGL Share Option Scheme (as defined in note 39(b)) holders. The carrying amount of the 24.19% interest attributable to the non-controlling shareholders is determined based on the proportionate share of the recognised amounts of the net assets of TGL (including the initial carrying amount of exploration assets).

Included in the loss for the year ended 31 March 2012 from continuing operations is loss of HK\$71,978,000 attributable to the TGL Group. The TGL Group did not generate any revenue for that year.

35. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2012

(a) Disposal of Disposal Groups

As set out in note 15, the Group discontinued its gold mining, coal mining and loan guarantee service in the PRC, which are carried out by Longold, Bless Luck and China Fortune International Limited (“China Fortune”) respectively. Details of the disposals of Longold, Bless Luck and China Fortune were set out in the Company’s announcements dated 19 March 2012, 7 October 2011 and 17 August 2011 respectively. The net assets of the Disposal Groups at Date of Disposal were as follows:

	Gold mining operation in the PRC – Longold HK\$’000	Coal mining operation in the PRC – Bless Luck HK\$’000	Loan guarantee service in the PRC – China Fortune HK\$’000
Consideration received:			
Cash received	10,000	25,000	73,000
Promissory notes (<i>note 23</i>)	86,000	170,000	–
Total consideration received	96,000	195,000	73,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Analysis of assets and liabilities over which control was lost:

	Gold mining operation in the PRC – Longgold HK\$'000	Coal mining operation in the PRC – Bless Luck HK\$'000	Loan guarantee service in the PRC – China Fortune HK\$'000
Property, plant and equipment	568	9,496	30
Mining rights	120,776	258,508	–
Other receivables	933	8,735	5,626
Pledged bank deposits	–	–	4,989
Bank balances and cash	2,575	14	68,540
Amounts due to group companies	(91,157)	(190,635)	(77,927)
Other payables	(1,227)	(1,170)	(1,960)
Tax payable	(331)	(2,705)	–
Deferred taxation	(28,025)	–	–
Provision for rehabilitation	(331)	–	–
	3,781	82,243	(702)
Net assets (liabilities) disposed of	3,781	82,243	(702)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Gold mining operation in the PRC – Longold HK\$'000	Coal mining operation in the PRC – Bless Luck HK\$'000	Loan guarantee service in the PRC – China Fortune HK\$'000
Gain (loss) on disposal of subsidiaries			
Consideration	96,000	195,000	73,000
Net (assets) liabilities disposed of	(3,781)	(82,243)	702
Sales loans – amounts due to group companies	(91,157)	(190,635)	(77,927)
Non-controlling interests	–	77,660	–
Cumulative exchange differences in respect of net assets of the Disposal Groups reclassified from equity to profit or loss on loss of control of subsidiaries	6,469	15,216	(186)
Gain (loss) on disposal (<i>note 15</i>)	7,531	14,998	(4,411)
Net cash inflow arising on disposal:			
Cash consideration received	10,000	25,000	73,000
Less: bank balances and cash disposed of	(2,575)	(14)	(68,540)
	7,425	24,986	4,460

The impact of the Disposal Groups on the Group's results and cash flows in prior year was disclosed in note 15.

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(b) Disposal of Goldster Global Limited

On 2 September 2011, the Company disposed of 55% equity interest in Goldster Global Limited with net liabilities of HK\$41,000 to a third party at nil consideration. Goldster Global Limited was inactive during the period from its date of incorporation to date of disposal. After the partial disposal, Goldster Global Limited became an associate of the Group.

(c) Deemed disposal of partial interests in TGL

On 28 September 2011, the warrant holder of TGL exercised all of its warrants, which were subscribed by the warrant holder in 2009 pursuant to a subscription agreement to subscribe for a total of 21,500,000 ordinary shares of TGL by payment of subscription monies of ZAR107,500,000 (equivalent to approximately HK\$105,818,000). This subscription of shares of TGL by exercising warrants resulted in the Company's interests in TGL decreasing from 75.81% to 68.92% ("Deemed Disposal"). The Deemed Disposal, without losing the Group's control over TGL, was accounted for as an equity transaction. The difference of HK\$178,914,000 between the amount by which the non-controlling interests of TGL adjusted (after taking into account the derecognition of the warrants' carrying amount), the amount from subscription of shares by exercising warrants and the re-attribution of proportionate share of cumulative translation of foreign currency to non-controlling interests was recognised directly in equity as other reserve. No outstanding warrants of TGL issued in 2009 was held by the warrant holder as at 31 March 2012.

36. OPERATING LEASES

The Group as lessee

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

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,763	2,769
In the second to fifth year inclusive	—	2,075
	1,763	4,844
	1,763	4,844

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated and rentals are fixed for a lease term of two to three years.

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37. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund (“MPF”) Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees’ salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 March 2013 and 2012.

The Company’s subsidiaries established in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2013, the Group’s total contributions to the retirement benefit schemes are HK\$112,000 (2012: HK\$91,000).

38. RELATED PARTY TRANSACTIONS

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

	2013	2012
	<i>HK\$’000</i>	<i>HK\$’000</i>
Consultancy fee paid to a director of a subsidiary	–	757
	<u> </u>	<u> </u>

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the years was as follows:

	2013	2012
	<i>HK\$’000</i>	<i>HK\$’000</i>
Short-term benefits	13,941	5,586
Contributions to retirement benefits schemes	30	24
Share-based payment expense	–	1,345
	<u> </u>	<u> </u>
	<u>13,971</u>	<u>6,955</u>

39. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme of the Company

An ordinary resolution was duly passed by the shareholders of the Company at the special general meeting held on 4 January 2010 to adopt a share option scheme (“Share Option Scheme”). The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants in recognition of their contribution to the Group. Eligible participants of the Share Option Scheme include any person who is an employee of the Group, and any entity (including associated company) in which the Company, any of its holding companies or any of their respective subsidiaries holds any equity interest (“Eligible Entity”) or is a director (including executive and non-executive directors) of an Eligible Entity or any adviser, consultant, agent, contractor, customer and supplier of any member of the Group or any Eligible Entity whom the board of directors in its sole discretion considers eligible for the Share Option Scheme on the basis of his or her contribution to the Group. The Share Option Scheme became effective on 4 January 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any options to be granted under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on 4 January 2010. Share options which lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Share Option Scheme, save that the total number of shares which may be issued upon exercise of all share options granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Share Option Scheme and any other share option schemes of the Company (including share options outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Share Option Scheme must be subject to approval by independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted under the Share Option Scheme (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in aggregate over 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, must be approved by the shareholders in a general meeting.

The offer of a grant of share options shall be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Share Option Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors.

The exercise price of the share options is determined by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the daily quotation sheets of the Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

In accordance with the terms of the Share Option Scheme, options granted on 2 March 2010 ("Option A") and on 13 December 2011 ("Option B") were vested at the date of grant.

Details of Option A and movements of options are as follows:

Date of grant	Exercisable period	Exercise price
2 March 2010	2 March 2010 to 2 March 2012	HK\$0.1846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Grantees	Outstanding at 1.4.2011	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2012
Employees	<u>31,984,800</u>	<u>(4,400,000)</u>	<u>(27,584,800)</u>	<u>–</u>
Exercisable at the end of the year	<u>31,984,800</u>			<u>–</u>

In respect of the Option A exercised during the year ended 31 March 2012, the weighted average share price at the date of exercise was HK\$0.485.

Details of Option B and movements of options are as follows:

Date of grant	Exercisable period		Exercise price		
13 December 2011	13 December 2011 to 13 December 2013		HK\$0.189		
Grantees	Outstanding at 1.4.2011	Granted during the year	Outstanding at 31.3.2012	Cancelled during the year	Outstanding at 31.3.2013
Directors	–	25,000,000	25,000,000	–	25,000,000
Employees	<u>–</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>(2,500,000)</u>	<u>5,000,000</u>
	<u>–</u>	<u>32,500,000</u>	<u>32,500,000</u>	<u>(2,500,000)</u>	<u>30,000,000</u>
Exercisable at the end of the year	<u>–</u>		<u>32,500,000</u>		<u>30,000,000</u>

The estimated fair value of the options granted was HK\$1,750,000.

There is no share-based payment expense recognised by the Group during the year. During the year ended 31 March 2012, the Group recognised the total expense of HK\$1,750,000 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The inputs into the binomial model for Option B were as follows:

	Option B granted on 13 December 2011
Share price	HK\$0.149
Exercise price	HK\$0.189
Expected volatility (<i>Note</i>)	82.595%
Expected life	2 years
Expected dividend yield	0%
Risk free rate	<u>0.357%</u>

Note: The expected volatility was determined by calculating the historical volatility of the Company' share prices over the past two years immediately before date of grant.

Binomial option pricing model was used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) Equity-settled share option scheme of TGL

TGL has a share option scheme ("TGL Share Option Scheme") for its management and staff. The outstanding vested share options were not replaced and were still in existence at the time when the Group acquired TGL at the Completion Date.

In accordance with the terms of the scheme, all management and staff of TGL Group may be granted options to purchase ordinary shares of TGL at an exercise price that is between 1% and 5% less than the market value of the shares at the date of options are awarded.

Each employee's share option converts to one ordinary share of TGL on exercise. No amounts are paid or are payable by the recipient on receipt of the option. All options vested on the date of grant and options may be exercised within 5 years from the date of grant.

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All outstanding vested share options were measured in accordance with HKFRS 2 “Share-based payment” at their market-based measure at the acquisition date. The market-based measure of each share option granted at 26 May 2010, 26 July 2010, 1 September 2010 and 1 November 2010 determined at the acquisition date of TGL were HK\$18.74, HK\$18.79, HK\$17.19 and HK\$15.80 respectively. Options were priced using a Black Scholes option pricing model. The aggregate fair value of the TGL options at the acquisition date is HK\$461,509,000 and included in non-controlling interests (see note 34(b)). The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.

The inputs into the Black Scholes option pricing model for TGL share options at the date of acquisition were as follows:

Date of grant	26 May 2010	26 July 2010	1 September 2010	1 November 2010
Share price of TGL	ZAR22.61	ZAR22.61	ZAR22.61	ZAR22.61
Exercise price	ZAR4.950	ZAR4.950	ZAR7.425	ZAR9.900
Expected volatility	50.67%	50.18%	50.32%	49.66%
Expected life	3.6 years	3.8 years	4.0 years	4.1 years
Risk free rate	5.96%	5.99%	6.02%	6.07%

The share price of TGL shares is determined by reference to the closing price of the Company’s share and the exchange ratio agreed in the put option agreement (see Note 40). Expected volatility was determined with reference to the average daily volatility of the comparatives.

Details of share options granted by TGL and movements of such options are as follows:

Grantees	Date of grant	Exercise period	Exercise price	Outstanding at Completion Date, 31.3.2012 and 31.3.2013
Employees	26 May 2010	26 May 2010–25 May 2015	ZAR4.950	6,737,312
Employees	26 July 2010	26 July 2010–25 July 2015	ZAR4.950	6,238,000
Employees	1 September 2010	1 September 2010–31 August 2015	ZAR7.425	7,964,737
Employees	1 November 2010	1 November 2010–31 October 2015	ZAR9.900	2,705,161
				23,645,210

No options were granted, exercised or forfeited during the years ended 31 March 2013 and 2012.

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During the year ended 31 March 2012, with the consent from the option holders of TGL, TGL amended the TGL Share Option Scheme pursuant to which each TGL option was granted the same voting rights as an issued ordinary share of TGL. Subsequent to the end of the reporting period, option holders of TGL agreed to cancel these voting rights attached to the TGL options such that they are deemed void "ab initio" (in other words as though such rights had never existed) and the board of directors of TGL passed a resolution to cancel these voting rights attached to the TGL options and amended the TGL Share Option Scheme. The Group obtained a legal opinion from its South African legal counsel who is of the opinion that the voting rights attached to the TGL options have been legally, validly and effectively cancelled.

(c) Warrants issued by TGL on 12 January 2012

On 12 January 2012, 35,000,000 and 30,000,000 warrants were issued by TGL ("2012 TGL Warrants") to a former director of TGL (who is a founder of TGL) and a substantial shareholder of the Company (who was also a substantial shareholder of TGL prior to the acquisition of TGL by the Group) respectively at a cash consideration of ZAR0.01 each. Each 2012 TGL Warrant grants the holder the right to subscribe for one ordinary share of TGL at an exercise price of ZAR25 per TGL share until 4 January 2017.

The 2012 TGL Warrants were valued at date of grant using the Black Scholes option pricing model. The following inputs were used:

Share price of TGL	ZAR8.09
Exercise price	ZAR25
Expected volatility	60.33%
Expected life	5 years
Expected dividend yield	0%

The share price of TGL shares is determined by reference to the closing price of the Company's share and the exchange ratio agreed in the put option agreement (see Note 40). Expected volatility was determined by using the historical volatility of comparatives' share price. No dividends are expected to be paid over the terms of the 2012 TGL Warrants.

The fair value of the 2012 TGL Warrants at the date of issue was ZAR142,629,000 (equivalent to approximately HK\$140,937,000). There was no vesting conditions on these 2012 TGL Warrants and accordingly, a loss of ZAR142,629,000 (equivalent to approximately HK\$140,937,000) was recognised in profit or loss and grouped under the non-controlling interests in the consolidated statement of changes in equity during the year ended 31 March 2012 as they were awarded in return for assistance on various issues to be rendered by the recipient. In addition, the aggregate consideration arising from the issuance of the 2012 TGL Warrants were amounting to ZAR650,000 (equivalent to approximately HK\$641,000). These 2012 TGL Warrants were originally issued with voting rights, but it was subsequently found out that voting rights could not have been conferred on these 2012 TGL Warrants.

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Subsequent to the end of the financial year, TGL and the holder of 35,000,000 2012 TGL Warrants entered into an agreement on 26 April 2013 pursuant to which both parties agreed to cancel the 35,000,000 2012 TGL Warrants “ab initio” (in other words they were cancelled as if they had never been issued). Further on 19 August 2013, TGL and the holder of 30,000,000 2012 TGL Warrants entered into an agreement pursuant to which both parties agreed to cancel the 30,000,000 2012 TGL Warrants with effect from 19 August 2013.

The Group obtained a legal opinion dated 26 April 2013 from its South African legal counsel who is of the opinion that (i) the voting rights attached to the 2012 TGL Warrants are not, and have never been, valid or enforceable; (ii) the 35,000,000 2012 TGL Warrants have been legally, validly and effectively cancelled and have no further force or effect; and (iii) no voting rights attached to the 30,000,000 2012 TGL Warrants were issued.

40. GROSS OBLIGATION UNDER PUT OPTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS

(a) Gross obligation under put options

In addition to the acquisition of the controlling shares of TGL as set out in note 34(b), the Group has granted put options to acquire TGL’s shares from the South African Shareholders and the TGL option holders. Details of the put options are set out in note 40(b).

Upon the issuance of the put options, the Group has a commitment to settle the contractual obligation by cash proceeds from sales (at the times of exercise of the options) of a maximum of 2,139,757,635 of the Company’s shares. The gross obligation under these put options are designated as FVTPL at initial recognition and stated at fair value. At the date of acquisition, the fair value of the gross obligations under put options with reference to the market price of the Company’s share of HK\$0.46 per share was HK\$984,289,000. The gross obligation under put options to South African Shareholders and TGL option holders amounting to HK\$519,865,000 and HK\$464,424,000 were debited to non-controlling interests and other reserve respectively. As at 31 March 2013, the fair value of the gross obligation under put options with reference to the Company’s estimated equity value of HK\$0.17 per share was HK\$363,759,000 and as at 31 March 2012, the fair value of gross obligations under put options with reference to the market price of the Company’s shares of HK\$0.18 per share was HK\$385,156,000. During the year ended 31 March 2013, change in fair value of HK\$21,397,000 (2012: HK\$599,133,000) was recognised in profit or loss.

The Company’s estimated equity value of HK\$0.17 per share as at 31 March 2013 was with referenced to the net asset value of TGL and price to book ratio.

(b) Derivative financial instruments – put options

Put options for the acquisition of additional interest in TGL

(i) *Put option agreements between the Company, Goldcom and South African Shareholders*

The South African Shareholders had 21,174,316 shares of TGL on Completion Date. To facilitate the South African Shareholders to sell their shares in TGL to the Company, the Company granted put options to these South African Shareholders. The consideration payable by each South African Shareholder for the grant of the put option is ZAR1. Due to foreign exchange control restrictions in South Africa, the South African Shareholders are restricted from on-selling, transferring or dealing in the Company's shares. Accordingly, Goldcom was introduced to facilitate the arrangements under the put option agreements between the Company and the South African Shareholders.

To facilitate the payment of the put option exercise price upon the exercise of the put options, on the Completion Date, Goldcom subscribed for 1,130,141,116 shares of the Company in consideration for the issuance of the loan note with nil interest. The shares are kept by an escrow agent appointed by Goldcom, the Company and the South African Shareholders. The loan note is unsecured. The Company will not demand repayment of any amount outstanding under the loan note prior to the sales on the Stock Exchange of the Company's shares and the receipt by Goldcom of an amount equivalent to the cash proceeds from the sales of the Company's shares upon exercise of put options by the South African Shareholders. In substance, Goldcom is acting in the role of an agent and the arrangement of loan note and the share subscription is only to facilitate the issuance of shares prior to the exercise of put options. Accordingly, the shares issued for the loan note are accounted for as if they are treasury shares. The closing market price of the Company's share on the Completion Date was HK\$0.46. The share capital and share premium relating to these shares issued to Goldcom for the exchange of a loan note amounting to HK\$519,865,000 is recognised as other reserve in equity in the consolidated statement of changes in equity.

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Pursuant to the put option agreements dated 8 September 2011, the South African Shareholders may sell their TGL shares to the Company through Goldcom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. Goldcom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through Goldcom may be exercised by the South African Shareholders at any time within three years from the Completion Date.

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company through Goldcom. If any South African Shareholder has not exercised his put options in full within three years from the Completion Date, Goldcom shall sell through the Stock Exchange the remaining Company's shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company's shares is borne by the Company.

During the years ended 31 March 2013 and 2012, no put options were exercised by the South African Shareholders.

(ii) *Put options granted by the Company to the holders of options of TGL ("TG Optionholders")*

Pursuant to the put option agreements dated 8 September 2011 entered into between the TG Optionholders, Goldcom, TGL and the Company, the Company and Goldcom will grant to the TG Optionholders the right to sell a maximum number of 18,916,168 TGL shares to the Company or to the Company through Goldcom for a maximum of 1,009,616,519 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time within three years from the Completion Date.

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When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through Goldcom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. Goldcom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company's shares to the TG Optionholders using an exchange ratio of about 53 Company's shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the put option agreements. In addition, if any TG Optionholders wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR 1. During the years ended 31 March 2013 and 2012, no put options were exercised by the TG Optionholders.

The put options granted by the Company are classified as derivative financial instruments and stated at fair value.

The fair values amounting to HK\$91,928,000, HK\$48,292,000 and HK\$40,985,000 of put options granted by the Company to South African Shareholders and TG Optionholders at the date of issuance, 31 March 2012 and 31 March 2013 respectively were assessed using the binomial model. The following inputs were used:

	Date of grant	31 March 2012	31 March 2013
Time to maturity	3 years	2.4 years	1.4 years
Correlation	0.90	1.00	1.00
Volatility of the Company	38.30%	13.75%	14.46%
Expected dividend yield	0%	0%	0%
Share price of TGL share	HK\$24.6	HK\$8.7	HK\$8.2

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The share price of TGL shares is determined by reference to the closing price of the Company's share and the exchange ratio agreed in the put option agreement. Expected volatility with referenced to the difference in the movement of stock prices of the Company and TGL.

During the year ended 31 March 2012, fair value of HK\$91,928,000 at initial recognition in respect of put options granted to the South African Shareholders and TG Optionholders was recognised in profit or loss.

During the year ended 31 March 2013, change in fair value of HK\$7,307,000 (2012: HK\$43,636,000) was recognised in profit or loss.

The movement of gross obligation under put options and derivative financial instruments for the years ended 31 March 2013 and 2012 is set out below.

	Gross obligation under put options <i>HK\$'000</i>	Derivative financial instruments <i>HK\$'000</i>
At 1 April 2011	–	–
Issuance of put options	984,289	91,928
Gain arising on changes in fair value	<u>(599,133)</u>	<u>(43,636)</u>
At 31 March 2012	385,156	48,292
Gain arising on changes in fair value	<u>(21,397)</u>	<u>(7,307)</u>
At 31 March 2013	<u><u>363,759</u></u>	<u><u>40,985</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. NON-CONTROLLING INTERESTS

	Share net assets of subsidiaries <i>HK\$'000</i>	Share options reserve of subsidiaries <i>HK\$'000</i>	Other reserves of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	75,544	–	–	75,544
Share of profit for the year	130,428	–	–	130,428
Exchange difference arising on translation to presentation currency	(23,132)	–	–	(23,132)
Non-controlling interest arising on acquisition of subsidiaries (<i>note 34(b)</i>)	1,276,982	461,509	430,282	2,168,773
Non-controlling interest arising on potential additional acquisition in subsidiaries (<i>note 40(a)</i>)	(519,865)	–	–	(519,865)
Deemed disposal of partial interests in subsidiaries (<i>note 35(c)</i>)	318,763	–	(430,282)	(111,519)
Issue of warrants by a subsidiary (<i>note 39(c)</i>)	–	–	140,937	140,937
Disposal of subsidiaries (<i>note 35(a)</i>)	(77,660)	–	–	(77,660)
	1,181,060	461,509	140,937	1,783,506
At 31 March 2012	1,181,060	461,509	140,937	1,783,506
Share of loss for the year	22,932	–	–	22,932
Exchange difference arising on translation to presentation currency	(58,397)	–	–	(58,397)
	1,145,595	461,509	140,937	1,748,041
At 31 March 2013	1,145,595	461,509	140,937	1,748,041

42. COMMITMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Capital commitment to gold projects:		
– Drilling contracts	–	6,093
– Pre-feasibility study consulting contracts	375	2,907
– Other service contracts	12,580	12,925
	12,955	21,925
	12,955	21,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. MAJOR NON-CASH TRANSACTIONS

- (a) As set out in note 20, during the year ended 31 March 2013, the Group acquired 49% equity interest in H & M at a total consideration of HK\$90,228,000 of which HK\$47,500,000 was settled by cash and HK\$42,500,000 was settled by a promissory note issued by Hua Xiong to the Group (see note 23) together with the interest receivable of HK\$228,000.
- (b) As set out in note 34(a), during the year ended 31 March 2013, the Group acquired 75% equity interest in Saint Ford at a total consideration of HK\$95,025,000 of which HK\$8,000,000 was settled by cash and HK\$86,000,000 was settled by 2 promissory notes issued by Sharp Volition to the Group (see note 23) together with the interest receivable of HK\$1,025,000.
- (c) As set out in note 34(b), during the year ended 31 March 2012, the purchase consideration of equity interest in TGL was satisfied by the issue of the Company's shares with fair value of HK\$4,001,984,000 at the Completion Date.
- (d) As set out note 35(a), during the year ended 31 March 2012, promissory notes with an aggregate amount of HK\$256,000,000 were received upon disposal of Disposal Groups.

44. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, the Group had the following acquisitions:
 - (i) On 22 April 2013, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group conditionally agreed to acquire 100% equity interest in Jun Mao Enterprises Limited ("Jun Mao") at a total consideration of HK\$93,000,000 of which HK\$8,000,000 was settled by cash and HK\$85,000,000 was settled by 2 promissory notes issued by Hua Xiong to the Group (see note 23). Jun Mao is in the process of acquiring 10% equity interest in 貴州文真鋁業有限公司 ("文真鋁業"), a company established in the PRC, which has a mining right to conduct bauxite mining activities in the designated mining area in Guizhou, the PRC. The acquisition of Jun Mao is conditional upon the acquisition of 文真鋁業. The acquisition of Jun Mao has not yet been completed up to the date of authorisation for the issue of the consolidated financial statements as the acquisition of 文真鋁業 is still in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (ii) On 23 April 2013, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group conditionally agreed to acquire 35% equity interest in Wealthy Peace Holdings Limited (“Wealthy Peace”) at a total consideration of HK\$60,000,000 of which HK\$17,500,000 was settled by cash and HK\$42,500,000 was settled by a promissory note issued by Hua Xiong to the Group (see note 23). Wealthy Peace is in the process of acquiring the 100% equity interest in 貴州天啟源燃氣投資有限公司(“天啟源燃氣”), a company established in the PRC, which has 97% interest in the operations of liquefied natural gas storage and filling stations projects in Guizhou, the PRC. The acquisition of Wealthy Peace is conditional upon Wealthy Peace completed the acquisition of 天啟源燃氣. The acquisition of Wealthy Peace has not yet been completed up to the date of authorisation for the issue of the consolidated financial statements as the acquisition of 天啟源燃氣 is still in progress.
- (b) As set out in the announcement published by the Company on 19 September 2012, the Company commenced legal proceedings against TGL to replace the majority of the directors of the TGL board and to obtain annual consolidated financial statements of TGL, and took appropriate actions to challenge the legality of the issue of the 2012 TGL Warrants with voting rights and the grant of voting rights to the options granted by TGL under the TGL Share Option Scheme such that each TGL option shall carry the same voting right as an issued share of TGL. On 26 April 2013, the Company and TGL entered into a settlement agreement pursuant to which TGL shall (i) cancel 35,000,000 2012 TGL Warrants; (ii) remove the voting rights of the TGL options; (iii) amend the TGL Share Option Scheme that no voting rights can be granted to or attached to any options granted under the TGL Share Option Scheme; (iv) deliver audited consolidated financial statements of TGL and unaudited interim financial information of TGL to the Group; and (v) appoint 2 persons nominated by the Company to the board of directors of TGL with effect from 26 April 2013; while the Company shall (i) withdraw all proceedings against TGL; and (ii) appoint 4 persons nominated by TGL to the board of directors of the Company and appoint a person nominated by TGL as the chief executive officer of the Company with effect from 26 April 2013.
- (c) On 26 April 2013, TGL entered into an agreement with the holder of 35,000,000 2012 TGL Warrants pursuant to which both parties agreed to cancel the 35,000,000 2012 TGL Warrants, details of which are set out in note 39(c).
- (d) On 19 August 2013, TGL entered into an agreement with the holder of 30,000,000 2012 TGL Warrants pursuant to which the holder agreed to cancel the 3,000,000 2012 TGL Warrants with effect from 19 August 2013, details of which are set out in note 39(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Country/ place of incorporation	Country/ place of operation	Form of business structure	Issued share capital/ paid up capital/ registered capital	Equity interest attributable to the Company as at 31 March				Principal activities
					Directly		Indirectly		
					2013	2012	2013	2012	
Kingcheer Investments Limited	BVI	Hong Kong	Incorporated	Ordinary US\$1	100%	100%	-	-	Investment holding
Wing Hing International (Holdings) Limited	Republic of Seychelles	Hong Kong	Incorporated	Ordinary US\$1	100%	100%	-	-	Investment holding
Lee Hing Mining Industry Limited	Hong Kong	Hong Kong	Incorporated	Ordinary HK\$100	-	-	100%	100%	Sale of minerals
TGL	South Africa	South Africa	Incorporated	Ordinary ZAR58,040,000	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals
Taung Gold Exploration (West) (Pty) Limited*	South Africa	South Africa	Incorporated	Ordinary ZAR7,875	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals
Taung Gold Exploration Limited*	South Africa	South Africa	Incorporated	Ordinary ZAR7,875	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals
Taung Gold (North West) (Pty) Limited*	South Africa	South Africa	Incorporated	Ordinary ZAR100	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of subsidiary	Country/ place of incorporation	Country/ place of operation	Form of business structure	Issued share capital/ paid up capital/ registered capital	Equity interest attributable to the Company as at 31 March				Principal activities
					Directly		Indirectly		
					2013	2012	2013	2012	
Taung Gold (Free State) (Pty) Limited*	South Africa	South Africa	Incorporated	Ordinary ZAR100	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals
Ulinet (Pty) Limited*	South Africa	South Africa	Incorporated	Ordinary ZAR100	-	-	68.92%	68.92%	Exploration, development and mining of gold and associated minerals
Saint Ford	BVI	Indonesia	Incorporated	Ordinary US\$100	-	-	75%	-	Exploration, development and mining of gold

* These companies are the wholly-owned subsidiaries of TGL

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

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

FINANCIAL SUMMARY OF THE COMPANY

FINANCIAL SUMMARY OF THE COMPANY

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 March				
	2013	2012	2011	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss from ordinary activities attributable to owners of the Company	<u>(150,196)</u>	<u>(217,812)</u>	<u>(21,359)</u>	<u>(14,404)</u>	<u>(69,184)</u>

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31 March				
	2013	2012	2011	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	5,835,953	6,307,650	593,231	346,796	412,001
TOTAL LIABILITIES	(415,759)	(572,300)	(60,286)	(4,513)	(187,430)
NON-CONTROLLING INTERESTS	<u>(1,748,041)</u>	<u>(1,783,506)</u>	<u>(75,544)</u>	<u>(74,689)</u>	<u>(72,473)</u>
	<u>3,672,153</u>	<u>3,951,844</u>	<u>457,401</u>	<u>267,594</u>	<u>152,098</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	4,661,848	4,656,660
Promissory notes	–	85,000
Amount due from an associate	29,287	29,287
	4,691,135	4,770,947
Current assets		
Amounts due from subsidiaries	138,005	99,837
Promissory notes	127,500	171,000
Other receivables	2,687	177
Cash and bank balances	1,637	104,408
	269,829	375,422
Current liabilities		
Other payables and accruals	5,048	2,779
Derivative financial liabilities	40,985	48,292
Gross liabilities on put options	363,759	385,156
	409,792	436,227
Net current liabilities	(139,963)	(60,805)
Total assets less current liabilities	4,551,172	4,710,142
Capital and reserves		
Share capital	121,799	121,799
Reserves	4,429,373	4,588,343
Total equity	4,551,172	4,710,142

RESERVES OF THE COMPANY

RESERVES OF THE COMPANY

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	(Accumulated losses)/ Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2011 (restated)	288,095	(800)	-	147,828	37,816	1,890	(71,224)	403,605
Profit for the year	-	-	-	-	-	-	256,412	256,412
Issue of shares for acquisition of subsidiaries	3,914,984	-	-	-	-	-	-	3,914,984
Issue of shares and put options for the potential additional acquisition in subsidiaries	508,564	-	(519,865)	-	-	-	-	(11,301)
Issue of shares on exercise of warrants	45,725	-	-	-	(23,600)	-	-	22,125
Issue of shares on exercise of share option	1,028	-	-	-	-	(260)	-	768
Recognition of equity-settled share-based payments	-	-	-	-	-	1,750	-	1,750
Transfer upon lapse of share options	-	-	-	-	-	(1,630)	1,630	-
At 31 March 2012	4,758,396	(800)	(519,865)	147,828	14,216	1,750	186,818	4,588,343
Loss for the year	-	-	-	-	-	-	(158,970)	(158,970)
Transfer upon cancellation of share options	-	-	-	-	-	(135)	135	-
At 31 March 2013	<u>4,758,396</u>	<u>(800)</u>	<u>(519,865)</u>	<u>147,828</u>	<u>14,216</u>	<u>1,615</u>	<u>27,983</u>	<u>4,429,373</u>