



RISING DEVELOPMENT HOLDINGS LIMITED  
麗盛集團控股有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 01004)

ANNUAL REPORT 2010

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lee Yuk Lun (*Chairman & Chief Executive Officer*)  
(Re-designated from Deputy Chairman on 15 March 2010)  
Mr. Kong Shan, David

### Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas  
Mr. Tso Hon Sai, Bosco  
Mr. Tsui Ching Hung

## AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)  
Mr. Tso Hon Sai, Bosco  
Mr. Tsui Ching Hung

## REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)  
Mr. Tso Hon Sai, Bosco  
Mr. Tsui Ching Hung

## COMPANY SECRETARY

Mr. Chiang Chi Kin, Stephen

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## AUDITORS

Li, Tang, Chen & Co.  
*Certified Public Accountants (Practising)*  
10th Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2004-5, 20th Floor  
World Trade Centre  
280 Gloucester Road  
Causeway Bay  
Hong Kong

## PRINCIPAL BANKERS

UBS AG  
HSBC  
Wing Hang Bank, Limited  
DBS Bank (Hong Kong) Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## STOCK CODE

1004

## WEBSITE

[www.hkrising.com](http://www.hkrising.com)

On behalf of the board of directors (the "Board") of Rising Development Holdings Limited (the "Company"), I present the annual report and audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

## **RESULTS OF THE GROUP**

During the year under review, the Group recorded a turnover of HK\$140,970,000 (2009: HK\$173,611,000), representing a decrease of 19% as compared to that of last year. The decrease in turnover was mainly due to significant drop in the business of trading of fur skins. The net loss attribute to equity shareholders of the Company for the current year amounted to HK\$142,901,000 as compared to a net loss of HK\$66,679,000 last year, resulting in a basic loss per share this year of HK21.77 cents (2009: basic loss per share of HK45.84 cents (restated)). The loss was mainly due to impairment loss of mining business which requires current market valuation each year on the vanadium mine, valuation was RMB1,350,000,000 (equivalent to HK\$1,541,430,000) at 31 March 2010 as compared to its carrying amount of RMB1,580,000,000 (equivalent to HK\$1,790,930,000) at 31 March 2009, resulted in a loss after tax of HK\$157,568,000 for the year attributable to the equity shareholders of the Company.

## **INVESTMENT BUSINESS**

### **Trading in securities**

During the year, turnover from trading in securities was HK\$109,165,000, representing an increase of 469% compared with the corresponding period last year of HK\$19,200,000. Profit of HK\$30,774,000 was recorded from this sector during the year as compared with the corresponding period last year of loss HK\$53,961,000.

## **FUR BUSINESS**

### **Trading of fur skins**

Due to the economic meltdown in the year of 2009 and the credit crisis ripples around the globe this year's skin trading turnover was HK\$25,400,000, representing a 83% decrease compared with the corresponding period last year of HK\$146,595,000. Loss of HK\$9,691,000 was recorded, a 1,000% increase from this sector during the year as compared with the corresponding period last year of loss HK\$881,000.

### **Manufacture and sales of fur garment**

The turnover of garment manufacture and sales during the year was HK\$6,405,000, representing 18% decrease compared with the corresponding period last year of HK\$7,816,000. After a marked divergence in growth between different markets in 2009, the Group's Paris retail business was hit hard by the financial turmoil which resulted in the loss from garment manufacture and sales was HK\$13,113,000, an increase of 39% during the year as compared with the corresponding period last year of loss HK\$9,432,000.

## **MINE BUSINESS**

During the year under review, the mining business of the Group has not yet contributed any operational turnover.

## **FINAL DIVIDEND**

As a prudent measure to overcome the more and more unpredictable difficulties and challenges in the coming year, the Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil)

# Chairman's Statement

## ACKNOWLEDGEMENT

The management is taking all their efforts to turn the Group back to profit situation as its main task. I would like to express my sincere thanks to all our shareholders, investors, bankers, business associates and customers for their supports to the Group and to all our directors, senior management and staff for the contributions.

**Lee Yuk Lun**

*Chairman*

Hong Kong, 23 July 2010

# Directors and Senior Management Biographies

## EXECUTIVE DIRECTORS

Mr. Lee Yuk Lun, aged 46, is an executive director and the Chairman of the Company. He joined the Group on 31 August 2007. Mr. Lee has been engaged in the finance industry for about 16 years and, in particular, in the area of mergers and acquisitions. He also possesses more than 11 years of experience in project investments in Mainland China. Mr. Lee is a member of the Chinese People's Political Consultative Conference (CPPCC) Beijing Committee (中國人民政治協商會議北京市委員會政協委員), a member of the Committee of Shunyi District, CPPCC Beijing Committee (中國人民政治協商會議北京市順義區委員會委員) and the director of Beijing Chinese Overseas Friendship Association (北京海外聯誼會理事) and Director 2009/2010, 2010/2011 Tung Wah Group of Hospitals (東華三院) and Founding Chairman of Wanchai and Central & Western District Industries & Commerce Association. Mr. Lee is also the Chairman of Pico Zeman Asset Management Limited and Volk Favor Food Company Limited. Mr. Lee had been a non-executive director of China Yunnan Tin Minerals Group Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 263) from 2 May 2008 to 17 December 2008.

Mr. Kong Shan, David, aged 56, is an executive director of the Company. He joined the Group on 31 August 2007 and is responsible for the business development of the Group. Mr. Kong graduated from Shenzhen University in Mainland China with a diploma in Business Administration. He has more than 21 years of experience in property development and investment and corporate management in Mainland China.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas, aged 39, is an independent non-executive director and the chairman of both the Audit Committee and Remuneration Committee of the Company. He joined the Group on 31 August 2007. Mr. Fok had worked in the Listing Division of the Hong Kong Stock Exchange and has over 14 years of experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a Chartered Financial Analyst. Mr. Fok is currently also an executive director and Chief Financial Officer of Jian ePayment Systems Limited (a company listed on the growth enterprise market of the Hong Kong Stock Exchange, stock code: 8165), and an independent non-executive director of Greenfield Chemical Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 582).

Mr. Tso Hon Sai, Bosco, aged 45, is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group on 31 August 2007. Mr. Tso is currently a consultant of Messrs Tso Au Yim & Yeung, Solicitors and he has been a Hong Kong practicing solicitor since 1990. He received his bachelor of laws degree from King's College, London. Mr. Tso is currently also an independent non-executive director of Fortuna International Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 530) and Neolink Cyber Technology (Holding) Limited (a company listed on the growth enterprise market of the Hong Kong Stock Exchange, stock code: 8116).

Mr. Tsui Ching Hung, aged 56, is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group on 31 August 2007. Mr. Tsui holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from University of Aston and University of Warwick in the United Kingdom respectively. He has over 12 years of experience in senior management positions of several multinational corporations in Hong Kong. Mr. Tsui is currently an executive director of CST Mining Group Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 985).

# Directors and Senior Management Biographies

## SENIOR MANAGEMENT

Mr. Chiang Chi Kin, Stephen, aged 41, joined the Company as the Deputy General Manager and Company Secretary in September 2007. He is also a director of a majority of the subsidiaries of the Company. Mr. Chiang graduated from the University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. He has over 12 years of experience in corporate and commercial law, and has been responsible primarily for the legal and company secretarial matters of the Group.

Ms. Ren Yi, Connie, aged 39, joined the Company in September 2007. She was appointed as a director of Rising Development Limited, a subsidiary of the Company in January 2008. Ms. Ren graduated from the Aviation University of Beijing with a degree in english culture, communication and hotel management. She has over 7 years of experience with a few major investment banks, serving in various marketing and customer-serving positions. Ms. Ren is responsible for strategic development and implementation of the Company's sales and marketing plan, and also focusing on strategic and structural corporate development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover by Business Segments

Ratio analysis by business segments for the Group's turnover for the year ended 31 March 2010 is as follows:

- Trading in securities: approximately HK\$109,165,000, 77% of turnover (2009: HK\$19,200,000, 11%)
- Fur skin trading: approximately HK\$25,400,000, 18% of turnover (2009: HK\$146,595,000, 84%)
- Manufacture and sale of fur garments: approximately HK\$6,405,000, 5% of turnover (2009: HK\$7,816,000, 5%)

### Turnover by Geographical Region

Ratio analysis by geographical region for the Group's turnover for the year ended 31 March 2010 is as follows:

- Hong Kong: approximately HK\$112,796,000, 80% of turnover (2009: HK\$23,699,000, 14%)
- Mainland China: approximately HK\$25,401,000, 18% of turnover (2009: HK\$146,608,000, 84%)
- Other regions: approximately HK\$2,773,000, 2% of turnover (2009: HK\$3,304,000, 2%)

## PROSPECT

### Investment Business

For the coming year, investment atmosphere is quite misty. Ahead are uncertainty given rise by the European Crisis and sovereignty risks. However, low interest rate and relatively loose monetary supply create positive investment environment for investors. The Group will actively but prudently explore investment opportunities under this economic transition period.

### Fur Business

#### *Trading of fur skins*

The strong pelts demand from the markets starts from the beginning of the year. And the continuing expansion of the Chinese domestic market and the economic recovery in Russia and South Korea (even if the U.S. and other traditional markets remain stagnant) has put us in a position where we would not rule out further increases in the mink price. Market veterans even predict that there will be a quick disposal of this year's pelts at next year's auctions and private sales. Meanwhile, pelt prices have rebounded with gusto from the depressed prices of last year, prices advanced 40%–50% mainly due to China's enormous appetite. The Group will brace its stance for not expanding its fur skin trading business as it is an inappropriate time to enter at the market high.

#### *Manufacture and sales of fur garment*

Fur fashion has always played an important role in popular fashion for its practical function, and fur has proven to be a durable, reliable, universal, and timeless material for clothes. The role of fur products will be the main direction of the Group's development. Although the current prices is likely to overdraft, reducing tariffs in Russia this year has greatly inspired the Chinese and other fur producing countries.



# Management Discussion and Analysis

Based on China National Bureau of Statistics data released in July this year, China's producer price (PPI) rose by 10%, a record high since 1996. This is the first PPI to achieve double-digit gains which means Chinese fur production costs and consumer price index will be a lot higher than last year. But the complexity of the Chinese economy this year and the growing faith in the luxury markets decided the Chinese fur sales have satisfactory. The Group will continue strengthening its brand "Frede Derick" in China through cooperating with its strategic partners and also efficiently minimize the production costs. As Russians are coming back into the market, it is encouraging news for the Group's retail shop in Paris and for its brand "Lecothia". The Group will continue to develop high-end collection to cater for the demand of Russian tourist and the shoppers from all over the world.

## Vanadium Mine Business

The group is looking for opportunity to seek new partners and techniques to refine the mining method. Profit margin remains low as the metal price is still at a comparatively low level, new low cost technique for increasing profit margin is required. Ground and technical works preparing for the extracting of the mine were carried out during the year and more works have to be done this year for preparing of the extraction and refining of metals.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and facilities from banks in Hong Kong and PRC. As at 31 March 2010, the Group had cash and bank balances of approximately HK\$13,137,000 (2009: HK\$27,709,000). As at 31 March 2010, the Group's interest bearing bank and other borrowings (including convertibles notes) amounted to approximately HK\$Nil (2009: HK\$756,278,000). Shareholders' funds amounted to approximately HK\$1,289,520,000 (2009: HK\$717,433,000). Accordingly, the gearing ratio (as calculated in note to the financial statements) was Nil (2009: 1.02).

## CAPITAL STRUCTURE

- (i) During the year ended 31 March 2009, the Company issued convertible notes (the "11 April 2008 convertible notes") with a nominal value of HK\$837,000,000 to three independent vendors as part of consideration for acquiring 80% interest in Shanxi Jiuquan Mining Company Limited. The 11 April 2008 convertible notes bear interest at 1% per annum with a maturity date on 10 April 2011. The holders of the 11 April 2008 convertible notes (the "CN holders") have the right to convert on or after 11 April 2008 up to and including 10 April 2011, into ordinary share of the Company at an initial conversion price of HK\$0.28 per share, subject or adjustment for general dilutive events.

During the year ended 31 March 2010, the Company entered into a deed of settlement dated 24 June 2009 with the holders of the 11 April 2008 convertible notes that the Company issued to the CN holders the new convertible notes in the aggregate principal amount of HK\$744,930,000 with a term of 3 years. The new convertible notes were issued on 24 June 2009. The notes bear no interest with a maturity date on 23 June 2012. The conversion price of the new convertible notes is HK\$0.6 per share.

During the year ended 31 March 2010, total principal of HK\$744,465,000 were converted into 1,240,775,000 new ordinary shares of the Company of HK\$0.01 each. Outstanding principal amounts of the convertible notes as at 31 March 2010 were HK\$465,000.

## Management Discussion and Analysis

- (II) On 3 April 2009, the shareholders approved the following changes to the capital of the Company:
- (a) share consolidation: that every twenty-five issued shares of HK\$0.02 each in the share capital of the Company (the "Shares") be consolidated into one share of HK\$0.5 (the "Consolidated Share"); and
  - (b) capital reduction: that (a) the paid-up capital of each Consolidated Share be reduced from HK\$0.5 to HK\$0.01 by cancelling HK\$0.49 so as to create a reorganised share of HK\$0.01 (the "Reorganised Share") and (b) the amount of credit arising from capital reduction be credited to contributed surplus account of the Company; and
  - (c) share subdivision: that each of the authorized but unissued shares of HK\$0.02 be sub-divided into two Reorganised Shares of HK\$0.01 each.

The above changes became effective on 6 April 2009.

Time deposits, cash and bank balances include the following amounts denominated in a currency other than the Group's functional currency, Hong Kong dollars:

	2010	2009
Euro	<b>EUR 101,292</b>	EUR 139,230
United States dollars	<b>USD 47,024</b>	USD78,323
Renminbi	<b>RMB 618,695</b>	RMB2,246,889

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. Net debt includes interest-bearing bank and other borrowings, less time deposits, cash and bank balances, and excludes discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratio as at the reporting dates was as follows:

	2010	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total borrowings		
Convertible notes	–	756,278
Less: time deposits, cash and bank balances	<b>13,137</b>	27,709
<b>Net debt</b>	<b>(13,137)</b>	728,569
<b>Total equity</b>	<b>1,289,520</b>	717,433
<b>Gearing ratio</b>	<b>Nil</b>	1.02

Details of capital structure of the Group held as at 31 March 2010 are set out in notes 30, 32 and 38 to the financial statements.

# Management Discussion and Analysis

## CHARGES ON ASSETS

At 31 March 2010, the Group did not obtain any banking facilities. At 31 March 2009, the Group's banking facilities were supported by a corporate guarantee given by the Company.

Details of charges on assets of the Company and the Group during the year are set out in note 27 to the financial statements.

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year ended 31 March 2009, the Company and a wholly owned subsidiary of the Company, Perfect Fair Limited acquired 80% interest in Shanxi Jiuquan Mining Company Limited through acquiring Oriental Harvest Development Limited ("Oriental Harvest Group") at a consideration of HK\$1,137 million which was settled by cash of HK\$300 million and the Company's issue of HK\$837 million convertible notes during the year ended 31 March 2009.

At 24 June 2009, the Company entered into deeds of settlement with the holders of the convertible notes that the Company issued to the old convertible notes holders the new convertible notes in the aggregate principal amount of HK\$744,930,000. The total consideration in calculating the goodwill was adjusted to reflect the ultimate settlement of the acquisition.

Details of significant investment and material acquisitions of the Group held as at 31 March 2010 are set out in notes 20 and 40 to the financial statements.

## FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in United States dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

## EMPLOYEES

As at 31 March 2010, the Group employed around 31 employees in Hong Kong, Macau and Mainland China. The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2010.

The board of directors (the "Board") of the Company hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2010.

## CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices which are considered appropriate to the conduct and growth of the Group's business.

The Company's corporate governance practices are primarily based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the period under review, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1, A.4.1, A.4.2 and E.1.2. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

Key corporate governance principles and practices of the Company as well as details of the foregoing deviations of code provisions are summarized below.

### A. THE BOARD

#### A1. Responsibilities and Delegation

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of shareholders of the Company. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The day-to-day management, administration and operations of the Group are delegated to the executive directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain Board approval.

## A2. Board Composition

The Board comprises the following directors:

### *Executive directors:*

Mr. Lee Yuk Lun (Chairman of the Board and Chief Executive Officer)

Mr. Kong Shan, David

### *Independent non-executive directors:*

Mr. Fok Ho Yin, Thomas (Chairman of both the Audit Committee and the Remuneration Committee)

Mr. Tso Hon Sai, Bosco (Member of both the Audit Committee and the Remuneration Committee)

Mr. Tsui Ching Hung (Member of both the Audit Committee and the Remuneration Committee)

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules.

The list of directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Directors and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

## A3. Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of the Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual.

From 1 April 2009 and up to 15 March 2010, Mr. Lai Leong has taken up both the roles of the Chairman of the Board and Chief Executive Officer of the Company. Starting from 15 March 2010, the Company re-designated Mr. Lee Yuk Lun from Deputy Chairman to Chairman of the Board and Chief Executive Officer of the Company.

Though this led to the Company's non-compliance of the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Lee Yuk Lun and Mr. Lai Leong provides the Group with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. As such, the structure is beneficial to the Group and the shareholders as a whole.

The Board shall review its structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

## A4. Appointment, Re-election of Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive director and the independent non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election by shareholders at annual general meeting pursuant to the Company's bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

The Code provision A.4.2 of the CG Code requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws, all directors excluding the Chairman of the Board, shall retire from office by rotation at least once every three years. The Board considers that, though there is a deviation from the code provision A.4.2 of the CG Code, the aforementioned provision in the Bye-laws is appropriate to the Company since the continuous leadership by the Chairman of the Board allows for effective and efficient planning and implementation of business decisions and strategies which is significant for stability and growth of the Group.

Pursuant to the foregoing retirement provision in the Bye-laws, Mr. Kong Shan, David and Mr. Tso Hon Sai, Bosco shall retire by rotation at the forthcoming 2010 annual general meeting and, being eligible, they will offer themselves for re-election. The Board recommended the re-election of these two retiring directors. The Company's circular, sent together with this annual report, contains detailed information of the above two directors.

# Corporate Governance Report

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the succession planning of directors and assessing the independence of independent non-executive directors.

Besides, there are also procedures and process of appointment, re-election and removal of directors of the Company are laid down in the Bye-laws. In accordance with the Bye-laws, any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting of the Company held after his/her appointment.

During the year ended 31 March 2010, the Board, through its meetings held on 6 July 2009 (with the presence of all directors) and 15 March 2010 (with the presence of all directors), performed the following work regarding matters relating to the Board composition:

- (i) review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2009 annual general meeting of the Company; and assessment of the independence of all the Company's independent non-executive directors; and
- (ii) acceptance of the resignation of Mr. Lai Leong as an executive director, Chairman and Chief Executive Officer of the Company and re-designation of Mr. Lee Yuk Lun from Deputy Chairman to Chairman of the Board and Chief Executive Officer of the Company.

## **A5. Induction and Continuing Development for Directors**

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

## A6. Board Meeting

### *A6.1 Board Practices and Conduct of Meetings*

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

### *A6.2 Directors' Attendance Records*

During the year ended 31 March 2010, the Board has met regularly with a total of 13 Board meetings for reviewing and considering the financial and operating performance, business development and prospects of the Group.



# Corporate Governance Report

The attendance records of each director at these 13 Board meetings are set out below:

<b>Name of Director</b>	<b>Attendance/Number of Board Meetings</b>
<b>Executive directors</b>	
Mr. Lai Leong ( <i>Note</i> )	11/12
Mr. Lee Yuk Lun	12/13
Mr. Kong Shan, David	11/13
<b>Independent non-executive directors</b>	
Mr. Fok Ho Yin, Thomas	13/13
Mr. Tso Hon Sai, Bosco	9/13
Mr. Tsui Ching Hung	13/13

*Note:* Mr. Lai Leong resigned as an executive director of the Company with effect from 15 March 2010. Before his resignation, there were a total of 12 Board meetings held during the year ended 31 March 2010.

## A6.3 Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealing in the Company's securities. Specific enquiry has been made of all the Company's directors who have confirmed that they have complied with the required standard set out in the Model Code in respect of the year ended 31 March 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

## B. BOARD COMMITTEE

The Board has established two Board committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the affairs of the Group. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.hkrising.com" and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing two Board committees for the year ended 31 March 2010 are detailed below.

### B1. Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tso Hon Sai, Bosco and Mr. Tsui Ching Hung. The chairman of the Remuneration Committee is Mr. Fok Ho Yin, Thomas.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 March 2010, the Remuneration Committee has met twice with all the committee members present at the meeting. The members in that meeting have reviewed the current remuneration packages of the directors and senior management of the Group.

The attendance records of the foregoing twice Remuneration Committee meeting are set out below:

<u>Name of Remuneration Committee Member</u>	<u>Attendance/ Number of Board Meetings</u>
Mr. Fok Ho Yin, Thomas ( <i>Chairman</i> )	2/2
Mr. Tso Hon Sai, Bosco	2/2
Mr. Tsui Ching Hung	2/2

Details of the remuneration of each director of the Company for the year ended 31 March 2010 are set out in note 14 to the financial statements contained in this annual report.

## B2. Audit Committee

The Audit Committee comprises the three members, being the three independent non-executive directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tso Hon Sai, Bosco and Mr. Tsui Ching Hung, with Mr. Fok Ho Yin, Thomas possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the Audit Committee is Mr. Fok Ho Yin, Thomas. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 March 2010, the Audit Committee has met twice with all the committee members present at the meeting and performed the following major works:

- Review and discussion of the annual financial statements, results announcement and annual report for the year ended 31 March 2009 the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 September 2009, the related accounting principles and practices adopted by the Group and the relevant audit findings; and
- Review of the scope of audit work, auditor's fee and terms of engagement and recommendation of re-appointment of auditor for the year ended 31 March 2010.

The external auditor attended all the above meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matter.

The attendance records of the foregoing twice Audit Committee meetings are set out below:

<b>Name of Audit Committee Member</b>	<b>Attendance/Number of Board Meetings</b>
Mr. Fok Ho Yin, Thomas ( <i>Chairman</i> )	2/2
Mr. Tso Hon Sai, Bosco	2/2
Mr. Tsui Ching Hung	2/2

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

## C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

## D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Group to safeguard the interests of the Company's shareholders and assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 March 2010. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

## E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the Company's financial statements for the year ended 31 March 2010 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Li, Tang, Chen & Co., the Company's auditor, in respect of audit services and non-audit services for the year ended 31 March 2010 are analysed below:

<b>Type of services provided by the external auditor</b>	<b>Fees paid/payable</b>
Audit services – audit fee for the year ended 31 March 2010	395,000
Non-audit services	120,000
Total	515,000

## F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

As a channel to promote effective communication, the Group maintains a website at "www.hkrising.com" where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they may have to the Board or the management directly. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee and the Remuneration Committee are normally present at annual general meeting and other shareholders' meetings of the Company to answer questions raised. During the year ended 31 March 2010, the Company held one shareholders' meeting, which is the annual general meeting held on 13 August 2009.

Code provision E1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting. Mr. Lai Leong, the then Chairman of the Board, was unable to attend the Company's 2009 annual general meeting as he had another important business engagement. Despite his absence, he had arranged for Mr. Lee Yuk Lun, the then Deputy Chairman of the Company, to take the chair of the meeting and communicate with the shareholders. Mr. Fok Ho Yin, Thomas the chairman of both the Audit Committee and the Remuneration Committee, also attended the 2009 annual general meeting to give shareholders an opportunity of having a direct dialogue with the Board members.

## G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right for proposing resolutions, are contained in the Bye-laws.

Upon implementation of the amendments to the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholder meetings of listed issuers shall be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.hkrising.com](http://www.hkrising.com)) after each shareholders' meeting.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holdings. The Group is principally engaged in investment holdings and trading in securities, the manufacture and sale of fur garments, the trading of fur skins and business of mining natural resources. Details of the principal activities of subsidiaries are set out in note 18 to the financial statements.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 March 2010 is set out in note 7 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 97.

The directors do not recommend the payment of any dividend in respect of the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2010.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$60,000 (2009: HK\$350,000).

## PROPERTY, PLANT AND EQUIPMENT

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

## CONVERTIBLE NOTES

Details of the convertible notes are set out in note 30 to the financial statements.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 32 to the financial statements.

The Company's issued and fully paid share capital as at 31 March 2010 amounted to HK\$13,862,286 divided into 1,386,228,600 ordinary shares of HK\$0.01 each.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

# Report of the Directors

## DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$316,301,000 as computed in accordance with the Companies Act of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$920,524,000 as at 31 March 2010, may be distributed in the form of fully paid bonus shares.

## 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.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 76.97% of the total sales of fur skins and fur garments for the year and sales to the largest customer included therein amounted to 37.07%.

Purchases from the Group's five largest suppliers in aggregate accounted for 96.14% of the total purchases of fur skins and fur garments for the year and purchases from the largest supplier included therein amounted to 48.43%.

None of the directors of the Company, 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 interests in the Group's five largest customers or five largest suppliers.

## DIRECTORS

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

### Executive Directors

Mr. Lai Leong (*Chairman & Chief Executive Officer*) (resigned on 15 March 2010)  
Mr. Lee Yuk Lun (Re-designated from Deputy Chairman to Chairman and Chief Executive Officer on 15 March 2010)  
Mr. Kong Shan, David

### Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas  
Mr. Tso Hon Sai, Bosco  
Mr. Tsui Ching Hung

In accordance with clause 111 of the Company's bye-laws, Mr. Kong Shan, David and Mr. Tso Hon Sai, Bosco will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of independent non-executive directors are subject to reappointment or retirement by rotation in accordance with the bye-laws of the Company. All of the directors, without limitation to independent non-executive directors, are subject to retirement by rotation and re-election at annual general meetings, in accordance with the Company's bye-laws.

## **DIRECTORS' SERVICE CONTRACTS**

As at 31 March 2010, none of the directors had any existing or proposed service contracts with the Company.

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.

## **EMOLUMENT POLICY FOR DIRECTORS**

The emoluments payable to directors of the Company are determined in accordance with their duties and responsibilities within the Company and the Company's performance, by a remuneration committee of the board of directors according to its terms of reference.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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

## **SHARE OPTION SCHEME**

Details of the share option scheme of the Company are set out in note 32 to the financial statements.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.



# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2010, the following director of the Company had an interest set out below in the shares of the Company which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which he was deemed or taken to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was required pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

### (a) Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Lai Leong ( <i>Note 1</i> )	Interest held by controlled corporation ( <i>Note 2</i> )	821,532,600 ( <i>Note 3</i> )	59.26%

Notes:

1. Mr. Lai Leong resigned as an executive director, Chairman and Chief Executive Officer of the Company with effect from 15 March 2010.
2. These shares are owned by Oriental Day International Limited, which was 100% beneficially owned by Mr. Lai Leong. Please refer to the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" for further details.
3. Out of 821,532,600 shares, 820,757,600 shares have been issued and are beneficially owned by Oriental Day International Limited which represented approximately 59.21% of the issued share capital of the Company. In October 2009 and November 2009 a total of 744,930,000 shares were issued to Oriental Day International Limited pursuant to the conversion of the convertible notes transferred to Oriental Day International Limited by Mr. Zou Quanbo and Mr. Wang Hong respectively.

Up to 31 March 2010, a total of 775,000 shares are underlying shares held by Oriental Day International Limited pursuant to the conversion of the convertible notes held by Oriental Day International Limited.

### (b) Long positions in the underlying shares of the Company – physically settled unlisted equity derivatives

Details of the Company's share option scheme are set out in note 32 to the financial statements.

No share options were granted to, or exercised by, the directors and chief executive during the year. There was no outstanding option granted to the directors and chief executive at the beginning and at the end of the year.

Save as disclosed above, as at 31 March 2010, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code, to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2010.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, according to the register of interest in shares and short positions required to be kept by the Company under section 336 of the SFO, the Company has been notified that the following shareholders were interest in 5% or more of the share capital of the Company:

### (a) Long position in the ordinary shares of HK\$0.01 each of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Lai Leong	Corporate interests	821,532,600 (Note 1)	59.26%
Oriental Day International Limited	Beneficial owner	821,532,600 (Note 2)	59.26%
Chen Jianjun	Beneficial owner	96,620,000	6.97%

#### Notes:

- These shares owned by Oriental Day International Limited, which was 100% beneficially owned by Mr. Lai Leong. Such interest was also disclosed as the interest of Mr. Lai Leong in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".
- Out of 821,532,600 shares, 820,757,600 shares have been issued and are beneficially owned by Oriental Day International Limited which represented approximately 59.21% of the issued share capital of the Company. In October 2009 and November 2009 a total of 744,930,000 shares were issued to Oriental Day International Limited pursuant to the conversion of the convertible notes transferred to Oriental Day International Limited by Mr. Zou Quanbo and Mr. Wang Hong respectively.

Up to 31 March 2010, a total of 775,000 shares are underlying shares held by Oriental Day International Limited pursuant to the conversion of the convertible notes held by Oriental Day International Limited.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest and a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Company's audited financial statements for the year ended 31 March 2010.

# Report of the Directors

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 98 of the annual report.

## PUBLIC FLOAT

Based on 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 more than 25% of the Company's issued shares required under the Listing Rules.

## AUDITOR

Messrs. Li, Tang, Chen & Co. will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

## ANNUAL REPORT

This Annual Report is printed in English and Chinese and is available on the Stock Exchange's website at <http://www.hkexnews.hk> under the "Listed Company Information" and our Company's website at <http://www.hkrising.com>. Printed copies in both languages are posted to shareholders.

## ANNUAL GENERAL MEETING

The 2010 annual general meeting of the Company will be held on 30 August 2010. Details of the annual general meeting are set out in the notice of the annual general meeting which constitutes part of the circular to be sent to the Company's shareholders together with the Annual Report. Notice of the annual general meeting and the proxy form are also available on the Stock Exchange's website and the Company's website.

On behalf of the Board

**Lee Yuk Lun**

*Chairman*

Hong Kong, 23 July 2010



李湯陳會計師事務所

**LI, TANG, CHEN & CO.**

**Certified Public Accountants (Practising)**

## **TO THE SHAREHOLDERS OF RISING DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Rising Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 97, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these 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 Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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.

**Li, Tang, Chen & Co.**

*Certified Public Accountants (Practising)*

10/F Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

23 July 2010

# Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>TURNOVER</b>	8	<b>140,970</b>	173,611
Cost of sales		<b>(131,438)</b>	(164,064)
Gross profit		<b>9,532</b>	9,547
Other income and net gains/(losses)	8		
– Net gain/(loss) from investments		<b>13,512</b>	(62,648)
– Others		<b>47,259</b>	167,618
Loss on disposal of investment properties		–	(6,250)
Impairment loss on exploration and evaluation assets	20	<b>(262,614)</b>	–
Impairment loss on goodwill	21	<b>(1,300)</b>	(1,300)
Selling and distribution expenses		<b>(5,045)</b>	(4,786)
Operating and administrative expenses		<b>(20,334)</b>	(18,984)
<b>(LOSS)/PROFIT FROM OPERATIONS</b>		<b>(218,990)</b>	83,197
Finance costs	9	<b>(29,378)</b>	(144,129)
<b>LOSS BEFORE TAX</b>	10	<b>(248,368)</b>	(60,932)
Tax	11	<b>65,654</b>	(6,112)
<b>LOSS FOR THE YEAR</b>		<b>(182,714)</b>	(67,044)
ATTRIBUTABLE TO:			
Equity shareholders of the Company	12	<b>(142,901)</b>	(66,679)
Minority interests		<b>(39,813)</b>	(365)
<b>LOSS FOR THE YEAR</b>		<b>(182,714)</b>	(67,044)
			(restated)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>	16		
Basic		<b>HK(21.77) cents</b>	HK(45.84) cents
Diluted		<b>HK(21.77) cents</b>	HK(45.84) cents

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(182,714)</b>	(67,044)
<b>OTHER COMPREHENSIVE INCOME</b>		
Deferred tax on revaluation written back on disposal of properties	–	4,128
Exchange differences arising on translation of foreign operations	<b>10,151</b>	26,195
Realised on disposal of available-for-sale financial assets	–	1,291
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR (NET OF TAX)</b>	<b>10,151</b>	31,614
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(172,563)</b>	(35,430)
<b>ATTRIBUTABLE TO:</b>		
Equity shareholders of the Company	<b>(134,725)</b>	(40,266)
Minority interests	<b>(37,838)</b>	4,836
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(172,563)</b>	(35,430)

# Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	2,862	3,478
Available-for-sale financial assets	19	7,800	7,800
Exploration and evaluation assets	20	1,549,893	1,799,008
Goodwill	21	2,591	3,891
Convertible notes	30	6,147	–
		<b>1,569,293</b>	1,814,177
<b>CURRENT ASSETS</b>			
Inventories	22	5,071	29,934
Trade receivables	23	5,679	3
Prepayments, deposits, temporary payments and other receivables	24	4,813	5,386
Financial assets at fair value through profit or loss	25	80,745	49,959
Tax recoverable	11	2,835	2,832
Time deposits, cash and bank balances	26	13,137	27,709
		<b>112,280</b>	115,823
<b>CURRENT LIABILITIES</b>			
Trade payables	28	300	62
Customers' deposits		1,580	2,161
Other payables and accruals	29	4,226	5,743
Tax payable		590	590
		<b>6,696</b>	8,556
<b>NET CURRENT ASSETS</b>		<b>105,584</b>	107,267
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,674,877</b>	1,921,444
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	30	–	756,278
Deferred tax liabilities	31	385,357	447,733
		<b>385,357</b>	1,204,011
<b>NET ASSETS</b>		<b>1,289,520</b>	717,433



# Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	32	13,862	72,726
Reserves	33	1,043,543	374,754
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,057,405</b>	447,480
<b>Minority interests</b>		<b>232,115</b>	269,953
<b>TOTAL EQUITY</b>		<b>1,289,520</b>	717,433

**Mr. Lee Yuk Lun**  
Director

**Mr. Kong Shan, David**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity shareholders of the Company											
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Convertible notes equity reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits/(accumulated losses) HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance as at 1 April 2008	72,726	188,467	5,830	-	20,882	118	(1,291)	12	175,195	461,939	-	461,939
<b>Comprehensive loss</b>												
Loss for the year	-	-	-	-	-	-	-	-	(66,679)	(66,679)	(365)	(67,044)
<b>Other comprehensive income/(loss)</b>												
Deferred tax on revaluation												
written off on disposal of properties	-	-	-	-	(20,882)	-	-	-	25,010	4,128	-	4,128
Exchange differences arising												
on translation of foreign operations	-	-	-	-	-	20,994	-	-	-	20,994	5,201	26,195
Realised on disposal of												
available-for-sale financial assets	-	-	-	-	-	-	1,291	-	-	1,291	-	1,291
<b>Total comprehensive income/(loss)</b>	-	-	-	-	(20,882)	20,994	1,291	-	(41,669)	(40,266)	4,836	(35,430)
<b>Transactions with owners</b>												
Issue of convertible notes	-	-	-	25,807	-	-	-	-	-	25,807	-	25,807
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	265,117	265,117
<b>Total transactions with owners</b>	-	-	-	25,807	-	-	-	-	-	25,807	265,117	290,924
Balance as at 31 March 2009	72,726	188,467	5,830	25,807	-	21,112	-	12	133,526	447,480	269,953	717,433

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity shareholders of the Company											
	Share capital	Share premium account	Contributed surplus	Convertible notes equity reserve	Asset revaluation reserve	Exchange fluctuation reserve	Investment revaluation reserve	Statutory reserve fund	Retained profits/ losses (accumulated)	Sub-total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 31 March 2009												
and 1 April 2009	72,726	188,467	5,830	25,807	-	21,112	-	12	133,526	447,480	269,953	717,433
<b>Comprehensive loss</b>												
Loss for the year	-	-	-	-	-	-	-	-	(142,901)	(142,901)	(39,813)	(182,714)
<b>Other comprehensive income</b>												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	8,176	-	-	-	8,176	1,975	10,151
<b>Total comprehensive income/(loss)</b>	-	-	-	-	-	8,176	-	-	(142,901)	(134,725)	(37,838)	(172,563)
<b>Transactions with owners</b>												
Capital reorganisation (note 32)												
- Capital reduction	(71,272)	-	71,272	-	-	-	-	-	-	-	-	-
Issue of convertible notes	-	-	-	296,020	-	-	-	-	-	296,020	-	296,020
Issue of shares on conversion of convertible notes	12,408	732,057	-	(295,835)	-	-	-	-	-	448,630	-	448,630
<b>Total transactions with owners</b>	(58,864)	732,057	71,272	185	-	-	-	-	-	744,650	-	744,650
<b>Balance as at 31 March 2010</b>	<b>13,862</b>	<b>920,524</b>	<b>77,102</b>	<b>25,992</b>	<b>-</b>	<b>29,288</b>	<b>-</b>	<b>12</b>	<b>(9,375)</b>	<b>1,057,405</b>	<b>232,115</b>	<b>1,289,520</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(248,368)	(60,932)
Adjustments for:		
Interest expenses	29,378	144,129
Dividend income from unlisted available-for-sale financial assets	(1,186)	–
Dividend income from listed financial assets at fair value through profit or loss	(639)	(50)
Interest income from investments in listed available-for-sale financial assets	–	(414)
Bank interest income	(10)	(129)
Other interest income	(1)	(87)
Depreciation	964	815
Discount on acquisition of interests in subsidiaries	–	(17,823)
Impairment loss on goodwill	1,300	1,300
Impairment loss on exploration and evaluation assets	262,614	–
Gain on disposal of property, plant and equipment	–	(46)
Loss on disposal of investment properties	–	6,250
Net realised loss on disposal of available-for-sale financial assets	–	2,004
Unrealised gain/(loss) on investments in financial assets at fair value through profit or loss	(11,687)	61,108
Change in fair values of derivative components embedded in convertible notes	(47,153)	(149,184)
Foreign exchange loss	229	208
<b>Operating loss before working capital changes</b>	<b>(14,559)</b>	<b>(12,851)</b>
Decrease/(increase) in inventories	24,863	(11,942)
Decrease in deposit paid for acquisition of a subsidiary	–	227,400
Increase/(decrease) in prepayments, deposits, temporary payments and other receivables	573	(2,485)
(Increase)/decrease in trade receivables	(5,676)	1,455
Increase in financial assets at fair value through profit or loss	(19,099)	(71,622)
Decrease in trust receipt loans	–	(15,159)
Increase/(decrease) in trade payables	238	(210)
Decrease in customers' deposits	(581)	(777)
(Decrease)/increase in other payables and accruals	(1,517)	2,654
<b>Cash (used in)/from operations</b>	<b>(15,758)</b>	<b>116,463</b>
Interest paid	–	(990)
Hong Kong profits tax refunded	–	1,277
<b>Net cash (used in)/from operating activities</b>	<b>(15,758)</b>	<b>116,750</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Dividend income from unlisted available-for-sale financial assets		1,186	–
Dividend income from listed financial assets at fair value through profit or loss		639	50
Interest income from investments in listed available-for-sale financial assets		–	414
Bank interest income		10	129
Other interest income		1	87
Purchases of property, plant and equipment	17a	(324)	(1,464)
Proceeds from disposal of property, plant and equipment		–	157
Proceeds from disposal of investment properties		–	54,000
Proceeds from disposal of available-for-sale financial assets		–	24,414
Acquisition of exploration and evaluation assets	20	(326)	–
Net cash outflow on acquisition of subsidiaries	40a & b	–	(302,679)
<b>Net cash from/(used in) investing activities</b>		<b>1,186</b>	<b>(224,892)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of convertible notes		–	43,200
<b>Net cash from financing activities</b>		<b>–</b>	<b>43,200</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(14,572)</b>	<b>(64,942)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>27,709</b>	<b>92,651</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>13,137</b>	<b>27,709</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Time deposits		58	19,058
Cash and bank balances		13,079	8,651
		<b>13,137</b>	<b>27,709</b>

# Statement of Financial Position

As at 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	10	14
Interests in subsidiaries	18	1,178,891	1,151,297
Convertible notes	30	6,147	–
		<b>1,185,048</b>	1,151,311
<b>CURRENT ASSETS</b>			
Amounts due from subsidiaries	18	2,040	27,040
Prepayments, deposits and other receivables	24	1,652	333
Financial assets at fair value through profit or loss	25	80,745	49,959
Tax recoverable	11	2,832	2,832
Time deposits, cash and bank balances	26	6,735	20,102
		<b>94,004</b>	100,266
<b>CURRENT LIABILITIES</b>			
Amount due to a subsidiary	18	1,920	960
Other payables and accruals	29	453	322
		<b>2,373</b>	1,282
<b>NET CURRENT ASSETS</b>		<b>91,631</b>	98,984
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,276,679</b>	1,250,295
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	30	–	756,278
<b>NET ASSETS</b>		<b>1,276,679</b>	494,017
<b>CAPITAL AND RESERVES</b>			
Share capital	32	13,862	72,726
Reserves	33	1,262,817	421,291
<b>TOTAL EQUITY</b>		<b>1,276,679</b>	494,017

Mr. Lee Yuk Lun  
Director

Mr. Kong Shan, David  
Director

# Notes to Financial Statements

## 1. CORPORATE INFORMATION

Rising Development Holdings Limited was incorporated in Bermuda on 8 August 1997 as an exempted company with limited liability under the Companies Act (as amended) of Bermuda. The principal office of the Company is located at Rooms 2004-2005, 20/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

During the year, the Group was engaged in investment holding, trading in securities, the manufacture and sale of fur garments, the trading of fur skins and business of mining natural resources.

In the opinion of the directors, the ultimate holding company is Oriental Day International Limited, which is incorporated in the British Virgin Islands ("BVI").

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the hybrid entity concept/parent entity method whereby the difference between the cost of additional interests in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the minority interests is reflected partly as goodwill and partly as a reduction in equity.

## 2. BASIS OF PREPARATION (CONT'D)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 6.

## 3. CHANGES IN ACCOUNTING POLICIES

During the year, the Group adopted the following significant standards and amendments to standards:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First Time Adoption of HKFRS and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendment*	Amendments of Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.



# Notes to Financial Statements

## 3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Other than as further explained below regarding the impact of HKAS 1 (Revised), amendments to HKFRS 7 and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The adoption of revised title "Statement of financial position" for the "Balance sheet" and "Statement of cash flows" for "Cash flow statement".

Amendments to HKFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments" require the most significant additional disclosures in the consolidated financial statements include tables of fair value measurements disclosing the source of inputs using a three level fair value hierarchy, and reconciliations of the movements between opening and closing balances of Level 3 financial instruments, being those measured at fair value using a valuation technique with significant unobservable inputs. The fair value measurement disclosures are presented in note 37 to the financial statements.

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standards also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 7 to the financial statements.

During the year, in addition to the above, the Group adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements of the Company and the Group.

## 4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters <sup>2</sup>
HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based payment Transactions <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues <sup>3</sup>
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendment to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement <sup>5</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a Subsidiary <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases <sup>2</sup>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 and improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. For improvements to HKFRSs 2009, the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010. For improvements to HKFRSs 2010, the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – 13 are effective for annual periods beginning on or after 1 January 2010 while the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010. There are separate transitional provisions for each standard or interpretation listed above.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

# Notes to Financial Statements

## 4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010 (CONT'D)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, the Company's interests in subsidiaries are stated at cost less any impairment losses.

### Goodwill

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in profit or loss.

### Property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 5 years
Plant and machinery	3 to 5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

### Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation 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 viability of extracting those resources.

When the technical feasibility and commercial viability for extracting a mineral resource becomes demonstrable, any previously recognised exploration and evaluation assets are reclassified as property, plant and equipment, mining rights or other intangible assets. These assets are assessed for impairment and any impairment loss is recognised before reclassification.

### Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# Notes to Financial Statements

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated or not classified as any of the other categories. At each reporting date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated separately in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairments losses at each reporting date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Impairment on assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

### Impairment on assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

### Impairment on available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to Financial Statements

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **Derecognition of financial assets** (cont'd)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### **Convertible notes**

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. The derivative component embedded in the convertible notes is accounted for as derivative financial instruments.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The derivative component is initially measured at fair value. Any excess of proceeds over the amount initially recognised as the liability component and derivative component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability, derivative and equity components in proportion to the allocation of proceeds. The portion relating to the derivative component is recognised immediately to profit or loss.



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Convertible notes (cont'd)

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is remeasured to fair value at each reporting date. The gain or loss on remeasurement to fair value is charged immediately to profit or loss. The equity component is recognised in the convertible notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes equity reserve, together with the carrying amounts of the liability and derivative components at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes equity reserve is released directly to retained profits, and any difference between the amount paid and the carrying amounts of liability and derivative components is recognised in profit or loss.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the year.

### Impairment of assets other than exploration and evaluation assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows, that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimate 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. An impairment loss is charged to profit or loss in the year in which it arises.



# Notes to Financial Statements

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Impairment of assets other than exploration and evaluation assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

### Impairment of exploration and evaluation assets

In the following cases, or similar cases, the Group shall test exploration and evaluation assets for impairment.

- (a) 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, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- (d) sufficient data 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.

For the purpose of impairment testing exploration and evaluation assets are allocated to the relevant cash-generating units expected to benefit from the assets. Cash-generating units to which exploration and evaluation assets have been allocated are tested for impairment when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of exploration and evaluation assets allocated to the unit.

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

### Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Income tax (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# Notes to Financial Statements

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### Trade and other payables

Liabilities for trade and other payables which are normally settled on 30 to 60 days terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

### Provisions and contingent liabilities

#### (i) *Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note (ii) below. Contingent liabilities that cannot be reliably fair valued are disclosed in accordance with note (ii) below.

#### (ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

### Financial guarantee contracts

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) sale of listed securities, on a trade date basis;
- (c) rental income, on a straight-line basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.
- (e) dividend income, when the right to receive payment is established.

### Employee benefits

(i) The Group joins a defined contribution Mandatory Provident Fund ("MPF") retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme. The Group's employer contributions are fully and immediately vested in favour of the employees.

(ii) The Company's subsidiaries which operate outside Hong Kong are required to pay social security insurance premium to local authority for their employees. The insurance premium is calculated at certain percentage on the staff payroll. Social security insurance can provide retirement and unemployment benefits to the employees.

#### (iii) *Equity share-based payment transactions*

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

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

#### (iv) *Termination benefits*

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

# Notes to Financial Statements

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Dividends

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the reporting date, the assets and liabilities of these entities, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date and, their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the exchange fluctuation reserve (attributable to minority interests as appropriate). On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

## 6. SUMMARY ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

### Income taxes

As at 31 March 2010, the Group had estimated unused tax losses of approximately HK\$123,990,000 (2009: HK\$130,527,000) available for offset against future profits. No deferred tax asset has been recognised on the tax losses of approximately HK\$123,990,000 (2009: HK\$130,527,000) due to unpredictability of future profits streams. The reliability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material reversal or recognition of deferred tax assets may arise.

### Impairment assessment for receivables

The policy for impairment assessment for receivables of the Group is based on the evaluation of collectability and an ageing analysis of receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

### Fair value of assets acquired and liabilities assumed upon acquisition of subsidiaries

In connection with acquisitions of subsidiaries, the assets acquired and liabilities assumed are adjusted to their estimated fair values on date of acquisition. The determination of fair values of the assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed and would change the amount of depreciation or amortisation expenses recognised relating to those identifiable property, plant and equipment and intangible assets.

# Notes to Financial Statements

## 6. SUMMARY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

### Impairment of exploration and evaluation assets

In determining whether the Group's exploration and evaluation assets are impaired, management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether the Group is able to obtain the right to exploit in the specific mining site; (2) whether carrying amount of exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale. In any such case, the Group shall perform an impairment test in accordance with the accounting policy as disclosed in the note 5. At 31 March 2010, an impairment loss of HK\$262,614,000 has been recognised for exploration and evaluation assets (2009: Nil). The aggregate carrying value of exploration and evaluation assets was HK\$1,549,893,000 (2009: HK\$1,799,008,000).

### Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy as disclosed in the note 5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

### Valuation of convertible notes

As described in note 30 to the financial statements, the convertible notes included an embedded derivative that was measured at fair value through profit or loss. The Group engaged an independent firm of professionally qualified valuers to assist in determining the fair value of the underlying embedded derivative. The fair value of the embedded derivative of the convertible notes was determined using the binomial model. The significant inputs into the model were share price at grant date, risk-free interest rate, conversion price, expected volatility of the underlying shares and term of maturity. When the actual results of the inputs differ from management's estimate, it will have an impact on the fair value gain or loss and the fair value of the derivative component of the convertible notes.

## 7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009, HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

## 7. SEGMENT INFORMATION (CONT'D)

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group (the "CODM") that makes strategic decisions. The CODM organizes the business units based on their products and services, and has reportable operating segments as follows:

- (a) Trading in securities comprise proceeds from trading in listed securities and investment income from listed securities.
- (b) Investments comprise dividend and interest income from investments and gain or loss on investments other than securities.
- (c) Manufacture and sale of fur garments.
- (d) Trading of fur skins.
- (e) Mine exploration.
- (f) Others comprise the Group's management services business, which provide management services to Group companies.

The CODM monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs as well as corporate expenses are excluded from such measurement.

Segment assets consist primarily of property, plant and equipment, exploration and evaluation assets, intangible assets, inventories and trade and other receivables. Unallocated assets comprise current income tax recoverable, available-for-sale financial assets, convertible notes and cash and cash equivalents.

Segment liabilities consist primarily of trade and other payables and other non-current liabilities. Unallocated liabilities comprise deferred tax liabilities, current income tax liabilities, borrowings and convertible notes.

Capital expenditure comprises additions to property, plant and equipment.

Inter-segment transactions are on arm's length basis in a manner similar to transactions with third parties.



# Notes to Financial Statements

## 7. SEGMENT INFORMATION (CONT'D)

### (a) Operating segment information

For the year ended 31 March 2010

	Trading in securities HK\$'000	Investments HK\$'000	Manufacture and sale of fur garments HK\$'000	Trading of fur skins HK\$'000	Mine HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	109,165	-	6,405	25,400	-	-	140,970
Intersegment sales	-	-	3,669	4,052	-	-	7,721
<b>Reportable segment revenue</b>	<b>109,165</b>	<b>-</b>	<b>10,074</b>	<b>29,452</b>	<b>-</b>	<b>-</b>	<b>148,691</b>
Elimination of inter-segment sales							(7,721)
<b>Consolidated revenue</b>							<b>140,970</b>
<b>Segment results</b>	<b>30,774</b>	<b>(1,083)</b>	<b>(13,113)</b>	<b>(9,691)</b>	<b>(264,721)</b>	<b>(88)</b>	<b>(257,922)</b>
Reconciliation:							
Interest income							11
Change in fair value of derivative components embedded in convertible notes							47,153
Unallocated corporate expenses							(8,232)
Loss from operating activities							(218,990)
Finance costs							(29,378)
Loss before tax							(248,368)
Tax							65,654
Loss for the year							(182,714)
<b>Other segment information:</b>							
Depreciation	-	(5)	(765)	(52)	(22)	(120)	(964)
Capital expenditure	-	-	(320)	-	(4)	-	(324)
Unrealised gain on investments in financial assets at fair value through profit or loss	11,687	-	-	-	-	-	11,687
Impairment loss on goodwill	-	-	(1,300)	-	-	-	(1,300)
Impairment loss on exploration and evaluation assets	-	-	-	-	(262,614)	-	(262,614)

## 7. SEGMENT INFORMATION (CONT'D)

### (a) Operating segment information (cont'd)

For the year ended 31 March 2009

	Trading in securities HK\$'000	Investments HK\$'000	Manufacture and sale of fur garments HK\$'000	Trading of fur skins HK\$'000	Mine HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	19,200	–	7,816	146,595	–	–	173,611
Intersegment sales	–	–	6,016	6,176	–	–	12,192
<b>Reportable segment revenue</b>	<b>19,200</b>	<b>–</b>	<b>13,832</b>	<b>152,771</b>	<b>–</b>	<b>–</b>	<b>185,803</b>
Elimination of inter-segment sales							(12,192)
<b>Consolidated revenue</b>							<b>173,611</b>
<b>Segment results</b>	<b>(53,961)</b>	<b>(2,331)</b>	<b>(9,432)</b>	<b>(881)</b>	<b>15,997</b>	<b>(7,278)</b>	<b>(57,886)</b>
Reconciliation:							
Interest income							216
Change in fair value of derivative components embedded in convertible notes							149,184
Unallocated corporate expenses							(8,317)
Profit from operating activities							83,197
Finance costs							(144,129)
Loss before tax							(60,932)
Tax							(6,112)
Loss for the year							(67,044)
<b>Other segment information:</b>							
Depreciation	–	(4)	(691)	(52)	(18)	(50)	(815)
Capital expenditure	–	–	(839)	–	(24)	(601)	(1,464)
Loss on disposal of investment properties	–	–	–	–	–	(6,250)	(6,250)
Net realised loss on investments in available-for-sale financial assets	–	(2,004)	–	–	–	–	(2,004)
Unrealised loss on investments in financial assets at fair value through profit or loss	(61,108)	–	–	–	–	–	(61,108)
Impairment loss on goodwill	–	–	(1,300)	–	–	–	(1,300)

# Notes to Financial Statements

## 7. SEGMENT INFORMATION (CONT'D)

(b) The segment assets and liabilities at the end of the reporting period are as follows:

As at 31 March 2010

	Trading in securities HK\$'000	Investments HK\$'000	Manufacture and sale of fur garments HK\$'000	Trading of fur skins HK\$'000	Mine HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Reportable segment assets</b>	80,745	1,662	16,341	20,992	1,550,557	55,909	1,726,206
Elimination of inter-segment receivables							(74,552)
							1,651,654
Unallocated assets:							
Available-for-sale financial assets							7,800
Cash and cash equivalents							13,137
Tax recoverable							2,835
Convertible notes							6,147
<b>Total assets per consolidated statement of financial position</b>							<b>1,681,573</b>
<b>Reportable segment liabilities</b>	-	(7,122)	(33,679)	(27,052)	(5,203)	(7,602)	(80,658)
Elimination of inter-segment payables							74,552
							(6,106)
Unallocated liabilities:							
Deferred tax liabilities							(385,357)
Tax payable							(590)
<b>Total liabilities per consolidated statement of financial position</b>							<b>(392,053)</b>
<b>Additions to non-current segment assets during the year</b>	-	-	320	-	330	-	650

## 7. SEGMENT INFORMATION (CONT'D)

(b) The segment assets and liabilities at the end of the reporting period are as follows: (cont'd)

As at 31 March 2009

	Trading in securities HK\$'000	Investments HK\$'000	Manufacture and sale of fur garments HK\$'000	Trading of fur skins HK\$'000	Mine HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Reportable segment assets</b>	49,959	346	24,998	33,093	1,799,850	54,082	1,962,328
Elimination of inter-segment receivables							(70,669)
							1,891,659
Unallocated assets:							
Available-for-sale financial assets							7,800
Cash and cash equivalents							27,709
Tax recoverable							2,832
Convertible notes							–
<b>Total assets per consolidated statement of financial position</b>							1,930,000
<b>Reportable segment liabilities</b>	–	(8,167)	(27,175)	(30,356)	(2,390)	(10,547)	(78,635)
Elimination of inter-segment payables							70,669
							(7,966)
Unallocated liabilities:							
Deferred tax liabilities							(447,733)
Convertible notes							(756,278)
Tax payable							(590)
<b>Total liabilities per consolidated statement of financial position</b>							(1,212,567)
<b>Additions to non-current segment assets during the year</b>	–	–	839	–	1,764,417	601	1,765,857

# Notes to Financial Statements

## 7. SEGMENT INFORMATION (CONT'D)

### (c) Geographical information

#### (i) Revenue from external customers

The Group's activities are conducted predominantly in Hong Kong and mainland China. Revenue by geographical location is determined on the basis of the locations of stock exchanges for sales of listed securities and the services provided, as well as the destination of the goods delivered.

The following table provides an analysis of the Group's revenue by geographical location:

	2010 HK\$'000	2009 HK\$'000
Hong Kong	112,796	23,699
Mainland China	25,401	146,608
Other countries	2,773	3,304
Total revenue	<b>140,970</b>	173,611

#### (ii) Non-current assets

The non-current assets information is based on the location of assets and excludes financial instruments.

The following table provides an analysis of the Group's non-current assets by geographical location:

	2010 HK\$'000	2009 HK\$'000
Hong Kong	1,282	1,836
Mainland China	1,550,745	1,800,048
Other countries	3,319	4,493
	<b>1,555,346</b>	1,806,377

### Information about major customers:

Revenues from customers contributing over 10% of the total sales of the Group are as follows:

	2010 HK\$'000	2009 HK\$'000
Customer A	11,790	34,931
Customer B	7,995	16,854
	<b>19,785</b>	51,785

## 8. TURNOVER AND OTHER INCOME AND NET GAINS/(LOSSES)

An analysis of the Group's turnover and other income and net gains/(losses) is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover		
Sales of fur skins and fur garments	<b>31,805</b>	154,411
Proceeds from trading in listed financial assets at fair value through profit or loss	<b>109,165</b>	19,200
	<b>140,970</b>	173,611
Other income and net gains/(losses)		
Net gain/(loss) from investments:		
Interest income from investments in listed available-for-sale financial assets	–	414
Dividend income from unlisted available-for-sale financial assets	<b>1,186</b>	–
Dividend income from listed financial assets at fair value through profit or loss	<b>639</b>	50
Net realised loss on investments in listed available-for-sale financial assets	–	(713)
Transfer from equity upon disposal of listed available-for-sale financial assets	–	(1,291)
Unrealised gain/(loss) on investments in listed financial assets at fair value through profit or loss	<b>11,687</b>	(61,108)
	<b>13,512</b>	(62,648)
Others:		
Gain on disposals of property, plant and equipment	–	150
Gross rental income	–	36
Bank interest income	<b>10</b>	129
Other interest income	<b>1</b>	87
Excess over the cost of a business combination	–	17,823
Fair value change on derivative components embedded in convertible notes	<b>47,153</b>	149,184
Others	<b>95</b>	209
	<b>47,259</b>	167,618
	<b>60,771</b>	104,970

# Notes to Financial Statements

## 9. FINANCE COSTS

	Group	
	2010 HK\$'000	2009 HK\$'000
Imputed interest expenses on convertible notes (note 30)	29,378	143,139
Interest on trust receipt loans	–	990
<b>Total finance costs</b>	<b>29,378</b>	<b>144,129</b>

## 10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2010 HK\$'000	2009 HK\$'000
Cost of inventories sold	131,438	164,064
Depreciation	964	815
Minimum lease payments under operating lease on land and buildings	3,547	2,988
Pension contributions	207	187
Auditor's remuneration		
– audit services	395	380
– other services	120	120
	515	500
Staff costs (excluding directors' remuneration)	6,389	5,207
Gross rental income	–	(36)
Less: outgoings	–	42
Net rental expense	–	6
Provision for obsolete inventories written off/(written back)	11,844	(877)
Loss on disposal of property, plant and equipment	–	104
Exchange loss	1	434

## 11. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2010 and 31 March 2009. Overseas taxes on assessable profits of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

	Group	
	2010	2009
	HK\$'000	HK\$'000
Tax represents income tax credit/(expense) as follows:		
Deferred tax ( <i>note 31</i> )		
– current year	65,654	(6,112)

A reconciliation of the income tax credit/(expense) applicable to loss before tax using the statutory rate to the tax charge at the effective tax rate is as follows:

	2010	Group		
	HK\$'000	%	2009	%
	HK\$'000		HK\$'000	
Loss before tax	(248,368)		(60,932)	
Tax credit at the statutory tax rate	40,981	16.50	10,054	16.50
Income not subject to tax	8,363	3.36	28,387	46.59
Expenses not deductible for tax	(6,680)	(2.70)	(25,905)	(42.52)
Unrecognised tax loss	(3,354)	(1.36)	(12,221)	(20.05)
Unrecognised temporary differences	(83)	–	(17)	(0.03)
Utilisation of tax loss not recognised	3,585	1.44	–	–
Reversal of previously recognised temporary differences	–	–	2,183	3.58
Reversal of previously recognised tax losses	–	–	(8,801)	(14.44)
Others	–	–	(139)	(0.23)
Effect of different tax rates in other jurisdictions	22,842	9.19	347	0.57
Income tax credit/(expense) at the Group's effective rate	65,654	26.43	(6,112)	(10.03)

Tax recoverable represented the excess of the provisional profits tax paid over the estimated tax liabilities.



# Notes to Financial Statements

## 12. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity shareholders of the Company includes a profit of HK\$38,012,000 (2009: loss of HK\$42,186,000) (note 33 (b)), which has been dealt with in the financial statements of the Company.

## 13. DIVIDEND

As a prudent measure to overcome the more and more unpredictable difficulties and challenges in the coming year, the board of directors does not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

## 14. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Fees	715	570
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	997	510
Retirement benefits contributions	15	8
	<b>1,012</b>	518
	<b>1,727</b>	1,088

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Fok Ho Yin, Thomas	120	120
Tso Hon Sai, Bosco	120	120
Tsui Ching Hung	120	120
	<b>360</b>	360

There was no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

## 14. DIRECTORS' REMUNERATION (CONT'D)

## (b) Executive directors

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Retirement benefits contributions HK\$'000	Total remuneration HK\$'000
<b>2010</b>				
Lai Leong (i)	115	589	7	711
Lee Yuk Lun	120	390	8	518
Kong Shan, David	120	18	–	138
	<b>355</b>	<b>997</b>	<b>15</b>	<b>1,367</b>
<b>2009</b>				
Lai Leong	–	120	–	120
Lee Yuk Lun	210	270	8	488
Kong Shan, David	–	120	–	120
	<b>210</b>	<b>510</b>	<b>8</b>	<b>728</b>

Note:

(i) Resigned on 15 March 2010.

## (c) The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2010	2009
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to Financial Statements

## 15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two directors (2009: one director), details of whose emoluments are disclosed above. The details of the remuneration of three (2009: four) remaining individuals, highest paid employees for the year are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Basic salaries, housing benefits, other allowances and benefits in kind	1,367	1,731
Retirement benefits contributions	36	47
	<b>1,403</b>	1,778

The emoluments fell within the following band:

	Number of individuals	
	2010	2009
Nil – HK\$1,000,000	3	4

None of the highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 16. LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

### (a) Basic loss per share

Basic loss per share amount for the year ended 31 March 2010 is calculated by dividing the loss for the year attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue for year and have been adjusted as a result of the Company's share consolidation (note 32) as appropriate. Basic loss per share amount for the year ended 31 March 2009 was adjusted and restated for the Company's share consolidation occurring in April 2009, details of which are set out in note 32. This share consolidation does not affect the amount of capital used to produce the profit or loss for both years.

	2010	2009 (restated)
Loss for the year attributable to equity shareholders of the Company ( <i>HK\$'000</i> )	<b>(142,901)</b>	(66,679)
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>656,408</b>	145,454
Basic loss per share ( <i>HK cents per share</i> )	<b>(21.77) cents</b>	(45.84) cents

### (b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2010 and 31 March 2009 are the same as the basic loss per share, as the convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

## 17. PROPERTY, PLANT AND EQUIPMENT

## (a) Group

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures, office equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1.4.2008	–	7,534	2,766	5,874	16,174
Acquisition of subsidiaries	318	–	3	–	321
Exchange adjustment	6	–	–	–	6
Additions	–	79	–	1,385	1,464
Disposals/written off	–	(5,162)	(13)	(8)	(5,183)
At 31.3.2009 and 1.4.2009	324	2,451	2,756	7,251	12,782
Exchange adjustment	6	–	–	15	21
Additions	–	35	–	289	324
Disposals/written off	–	(7)	(892)	(329)	(1,228)
<b>At 31.3.2010</b>	<b>330</b>	<b>2,479</b>	<b>1,864</b>	<b>7,226</b>	<b>11,899</b>
Accumulated depreciation:					
At 1.4.2008	–	5,841	2,761	4,960	13,562
Charge for the year	15	455	2	343	815
Eliminated on disposal/ written off	–	(5,052)	(13)	(8)	(5,073)
At 31.3.2009 and 1.4.2009	15	1,244	2,750	5,295	9,304
Exchange adjustment	3	–	–	(6)	(3)
Provided during the year	16	417	2	529	964
Eliminated on disposal/ written off	–	(7)	(892)	(329)	(1,228)
<b>At 31.3.2010</b>	<b>34</b>	<b>1,654</b>	<b>1,860</b>	<b>5,489</b>	<b>9,037</b>
Net carrying amount					
<b>At 31.3.2010</b>	<b>296</b>	<b>825</b>	<b>4</b>	<b>1,737</b>	<b>2,862</b>
At 31.3.2009	309	1,207	6	1,956	3,478

# Notes to Financial Statements

## 17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### (b) Company

	<b>Office equipment</b>
	<i>HK\$'000</i>
Cost:	
At 31.3.2008, 31.3.2009 and 31.3.2010	22
Accumulated depreciation:	
At 1.4.2008	3
Charge for the year	5
At 31.3.2009	8
Charge for the year	4
At 31.3.2010	12
Net carrying amount	
<b>At 31.3.2010</b>	<b>10</b>
At 31.3.2009	14

The Group's buildings at 31 March 2010 were held in The People's Republic of China ("PRC") under medium-term leases.

## 18. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>83,368</b>	83,368
Due from subsidiaries	<b>2,149</b>	2,217
Loans to subsidiaries	<b>1,195,214</b>	1,101,818
Loans from subsidiaries	<b>(4,655)</b>	(4,265)
Due to subsidiaries	<b>(97,185)</b>	(31,841)
	<b>1,178,891</b>	1,151,297

The balances with and loans (from)/to subsidiaries included in the interests in subsidiaries are unsecured, interest-free and to be recoverable/repayable after next twelve months.

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities of HK\$2,040,000 (2009: HK\$27,040,000) and HK\$1,920,000 (2009: HK\$960,000) respectively are unsecured, interest-free and are recoverable/repayable on demand or within one year.

## 18. INTERESTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries at 31 March 2010 are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held</b>				
Rising Group International Limited	BVI/Hong Kong	Ordinary US\$4,000	100%	Investment holding
<b>Indirectly held</b>				
Cassaya Trading Limited	Republic of Mauritius	Ordinary US\$1	100%	Dormant
Rising Manufacturing Macao Commercial Offshore Limited	Macau	Ordinary MOP\$25,000	100%	Trading of fur and leather skins and acting as purchase agent
Rising Group Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Rising Development Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred** HK\$5,000,000	100%	Trading of fur, leather and textile garments and property investment
Frede Derick Limited	Hong Kong	Ordinary HK\$100	100%	Dormant
Rising Manufacturing Limited	Hong Kong/PRC	Ordinary HK\$10,000	100%	Manufacturing and trading of fur garments
Cepa Distribution Limited	Hong Kong	Ordinary HK\$5,000 Non-voting deferred** HK\$1,000,000	100%	Dormant
Wellike Services Co., Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Wing Lee Agency Limited	Hong Kong	Ordinary HK\$100	100%	Dormant

# Notes to Financial Statements

## 18. INTERESTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries at 31 March 2010 are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held</b> (cont'd)				
Cepa Network Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Mega Asset Developments Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Investment holding
Perfect Leader Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Investment holding
Success Fortune Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Investment holding
Perfect Fair Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Investment holding
Legend Sense Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Not yet commenced business
Oriental Harvest Development Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Investment holding
東晟企業管理顧問(深圳) 有限公司 (Dongcheng Enterprise Management Consultant (Shenzhen) Limited)***	The People's Republic of China	HK\$10,000,000	100%	Investment holding
陝西久權礦業有限公司 (Shanxi Jiuquan Mining Company Limited)***	The People's Republic of China	RMB2,800,000	80%	Mine exploration

**18. INTERESTS IN SUBSIDIARIES (CONT'D)**

Particulars of the subsidiaries at 31 March 2010 are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held</b> (cont'd)				
Paris Fur (International) Limited	Hong Kong	Ordinary HK\$1	100%	Investment holding
Paris Fur (formerly C.D.L.C.)	France	Ordinary EUR30,490	100%	Operation of retail shop
Smarty Express Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Trading of fur
Surplus Basic Limited	The British Virgin Islands	Ordinary US\$1	100%	Not yet commenced business

\* Where different

\*\* The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

\*\*\* The subsidiaries incorporated in PRC are limited liability companies.

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

**19. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	Group	
	2010 HK\$'000	2009 HK\$'000
Unlisted equity securities, at cost	7,800	7,800

At the reporting date, the above unlisted equity securities are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.



# Notes to Financial Statements

## 20. EXPLORATION AND EVALUATION ASSETS

	Exploration rights <i>HK\$'000</i>	Group Evaluation expenditure <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April, 2008	–	–	–
Acquisition of subsidiaries	1,756,470	7,923	1,764,393
Exchange adjustment	34,460	155	34,615
Balance at 31 March 2009	1,790,930	8,078	1,799,008
Exchange adjustment	13,114	59	13,173
Additions during the year	–	326	326
Impairment loss	(262,614)	–	(262,614)
<b>Balance at 31 March 2010</b>	<b>1,541,430</b>	<b>8,463</b>	<b>1,549,893</b>

The exploration rights represent the carrying amount of the rights for mining, exploration and exploitation in a vanadium mine located in Shanxi, PRC. The exploitation licence of the mine has been granted for 3 years and is renewable on an ongoing basis.

As at 31 March 2010, the management has engaged an independent professional valuer, BMI Appraisals Limited, to carry out a valuation on the exploration rights for the purposes of an impairment review on the exploration rights. Based on the report of this valuer, the management considers that the exploration and evaluation assets should be impaired as the carrying amount of exploration and evaluation assets exceeds its estimated recoverable amount at 31 March 2010. Accordingly, an impairment loss of HK\$262,614,000 was recognised in consolidated income statement for the year ended 31 March 2010.

As at 31 March 2009, the management engaged an independent professional valuer, BMI Appraisals Limited, to carry out a valuation on the exploration rights for the purposes of an impairment review on the exploration rights. Based on the report of this valuer, the management considered that no impairment loss was necessary for the year ended 31 March 2009.

## 21. GOODWILL

	Group 2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At 1 April	3,891	–
Arising from acquisition of a subsidiary	–	5,191
Impairment loss	(1,300)	(1,300)
<b>At 31 March</b>	<b>2,591</b>	3,891

**21. GOODWILL (CONT'D)****Impairment tests for cash-generating units containing goodwill**

Goodwill acquired has been allocated to the cash generating unit ("CGU") of the respective companies.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the business in which the CGUs operate.

Key assumptions used for value-in-use calculations:

	2010	2009
Gross profit margin	<b>63% to 65%</b>	53%
Growth rate	<b>9% to 10%</b>	6.7% to 12.5%
Discount rate	<b>3%</b>	5%

Management determined the budgeted gross profit margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The recoverable amounts of the CGU are lower than their carrying amounts based on value-in-use calculations. Accordingly, impairment loss on goodwill of HK\$1,300,000 (2009: HK\$1,300,000) is recognised in the consolidated income statement.

**22. INVENTORIES**

	Group 2010 HK\$'000	2009 HK\$'000
Raw materials	<b>831</b>	22,334
Finished goods	<b>4,240</b>	7,600
	<b>5,071</b>	29,934

All the inventories were stated at cost.

# Notes to Financial Statements

## 23. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 30 to 60 days for its customers. Trade receivables are non-interest bearing.

An ageing analysis of trade receivables at the reporting date based on the invoice date is as follows:

	2010		Group		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Current to 30 days	4,548	80	1	33		
31 days to 60 days	–	–	–	–		
Over 60 days	1,131	20	2	67		
	<b>5,679</b>	<b>100</b>	<b>3</b>	<b>100</b>		

Impairment losses in respect of trade receivables are recorded using the allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At 31 March 2010 and 31 March 2009, there were no impairment losses in respect of trade receivables.

The ageing analysis of the trade receivables that are not considered to be impaired as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Neither past due nor impaired	4,547	1
Less than 1 month past due	–	–
1 to 3 months past due	904	–
Over 3 months past due	228	2
	<b>5,679</b>	<b>3</b>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 24. PREPAYMENTS, DEPOSITS, TEMPORARY PAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments, deposits, temporary payments and other receivables	4,813	5,386	1,652	333

The amount of the Group's and the Company's prepayments, deposits, temporary payments and other receivables expected to be recovered or recognised as expense after more than one year is HK\$521,000 (2009: HK\$296,000) and HK\$ Nil (2009: HK\$ Nil) respectively. All of the other prepayments, deposits, temporary payments and other receivables are expected to be recovered or recognised as expense within one year.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2010	2009
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong at fair value	80,745	49,959

## 26. TIME DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits	58	19,058	58	19,058
Cash and bank balances	13,079	8,651	6,677	1,044
	13,137	27,709	6,735	20,102

Time deposits, cash and bank balances include the following amounts denominated in a currency other than the Group's and Company's functional currency, Hong Kong dollars:

	Group		Company	
	2010	2009	2010	2009
Euro	EUR 101,292	EUR 139,230	EUR 257	EUR 257
United States dollars	USD47,024	USD78,323	USD2,665	USD33,417
Renminbi	RMB 618,695	RMB2,246,889	-	-

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

## Notes to Financial Statements

### 27. BANKING FACILITIES

At 31 March 2010, the Group did not obtain any banking facilities. At 31 March 2009, the Group's banking facilities were supported by a corporate guarantee given by the company.

### 28. TRADE PAYABLES

An ageing analysis of trade payables at the reporting date is as follows:

	2010		Group		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Current to 30 days	226	75	59	95		
31 days to 60 days	–	–	2	3		
Over 60 days	74	25	1	2		
	<b>300</b>	<b>100</b>	62	100		

The trade payables are non-interest bearing and normally settled on 30 to 60 days terms.

### 29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amount due to an investee company	2,491	1,867	–	–
Others	1,735	3,876	453	322
	<b>4,226</b>	5,743	<b>453</b>	322

Amount due to an investee company is unsecured, non-interest bearing and has no fixed terms of repayment.

Other payables and accruals include the following amounts denominated in a currency other than the Group's and Company's functional currency, Hong Kong dollars:

	Group		Company	
	2010	2009	2010	2009
United States dollars	USD320,000	USD240,000	–	–
Euro	EUR 299,913	EUR 332,946	–	–
Renminbi	RMB 86,223	RMB72,411	–	–

### 30. CONVERTIBLE NOTES

- (1) During the year ended 31 March 2009, the Company issued convertible notes (the "11 April 2008 convertible notes") with a nominal value of HK\$837,000,000 to three independent vendors as part of consideration for acquiring 80% interest in Shanxi Jiuquan Mining Company Limited. The notes bear interest at 1% per annum with a maturity date on 10 April 2011. The holders of the convertible notes have the right to convert on or after 11 April 2008 up to and including 10 April 2011, into ordinary share of the Company at an initial conversion price of HK\$0.28 per share, subject to adjustment for general dilutive events. The conversion price was adjusted to HK\$4.85 per share due to the capital reorganisation during the year ended 31 March 2010 (details see note 32(a)). The Company may redeem the convertible notes at 100% of the principal amount at anytime after the expiry of the first anniversary of the issue of the convertible notes. The effective interest rate of the liability component is 8.15% per annum.

During the year ended 31 March 2010, the Company entered into deeds of settlement dated 24 June 2009 with the holders of the convertible notes that the Company issued to the 11 April 2008 convertible notes holders the new convertible notes in the aggregate principal amount of HK\$744,930,000 with a term of 3 years. The new convertible notes were issued on 24 June 2009. The notes bear no interest with a maturity date on 23 June 2012. The conversion price of the new convertible notes is HK\$0.60 per share (subject to adjustment). The 11 April 2008 convertible notes holders agreed that the obligations of the Company under the 11 April 2008 convertible notes were fully discharged. In addition, the 1% interest payable amounting to HK\$8,370,000 on the 11 April 2008 convertible notes was waived. The principal amounts of the 11 April 2008 convertible notes were settled in full by the new convertible notes of HK\$744,930,000 for the same holders during the year ended 31 March 2010. The effective interest rate of the liability component is 10.19% per annum. During the year ended 31 March 2010, total principal of HK\$744,465,000 were converted into 1,240,775,000 new ordinary shares of the Company of HK\$0.01 each as referred to note 32(b) to the financial statements. Outstanding principal amounts of the convertible notes as at 31 March 2010 were HK\$465,000.

- (2) On 15 October 2008, the Company issued convertible notes with a nominal value of HK\$43,200,000. The notes bear no interest with maturity date on 14 October 2011. The holders of the convertible notes have the right to convert on or after 15 October 2008 up to and including 7 October 2011, into ordinary share of the Company at an initial conversion price of HK\$0.06 per share (subject to adjustment). The conversion price of the convertible notes was subsequently adjusted to HK\$1.478 per share due to the capital reorganisation (details see note 32(a)). The Company shall have the right at any time from the date of issue of the convertible notes and inclusive of the maturity date to redeem the whole or part of the outstanding convertible notes. The effective interest rate of the liability component is 6.19% per annum.

The convertible notes as stated in (1) and (2) above were split into liability, derivative and equity components upon initial recognition by recognising the liability components and conversion option derivative components at their fair value and attributing to the equity components the residual amount. The liability component is subsequently carried at amortised cost while the derivative component is carried at fair value to be remeasured at each reporting date. The equity component is recognised in the convertible notes equity reserve. The fair values of the conversion option derivative components of the convertible notes were determined as of the date of issue and 31 March 2010 and 31 March 2009 by an independent firm of professionally qualified valuers, BMI Appraisals Limited.

# Notes to Financial Statements

## 30. CONVERTIBLE NOTES (CONT'D)

The movements of convertible notes during the year are as follows:

	Group and Company		Total HK\$'000
	Liability components HK\$'000	Conversion option derivative components HK\$'000	
At 1 April 2008	–	–	–
Convertible notes issued, net of issuing costs	719,289	135,104	854,393
Imputed interest charged ( <i>note 9</i> )	143,139	–	143,139
Change in fair values	–	(149,184)	(149,184)
Amount to be waived according to the deeds of settlement for the 11 April 2008 convertible notes	(92,070)	–	(92,070)
At 31 March 2009 and 1 April 2009	770,358	(14,080)	756,278
Amount discharged according to the deeds of settlement	(744,930)	–	(744,930)
Convertible notes issued, net of issuing costs	556,728	(107,818)	448,910
Conversion into ordinary shares ( <i>note 32(b)</i> )	(571,764)	123,134	(448,630)
Imputed interest charged ( <i>note 9</i> )	29,378	–	29,378
Change in fair values	–	(47,153)	(47,153)
<b>At 31 March 2010</b>	<b>39,770</b>	<b>(45,917)</b>	<b>(6,147)</b>

	Group and Company	
	2010 HK\$'000	2009 HK\$'000
Representing for reporting purposes as:		
Non-current assets	<b>6,147</b>	–
Non-current liabilities	–	756,278
	<b>6,147</b>	756,278

## 31. DEFERRED TAX

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

	Group				Total HK\$'000
	Tax losses HK\$'000	(Decelerated)/ accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Fair value adjustments arising from exploration and evaluation assets HK\$'000	
At 1 April 2008	(8,801)	(450)	7,267	–	(1,984)
Released from asset revaluation reserve	–	–	(4,128)	–	(4,128)
Acquisition of subsidiary	–	–	–	439,118	439,118
Exchange adjustment	–	–	–	8,615	8,615
Charged/(credited) to consolidated income statement ( <i>note 11</i> )					
On disposal	–	–	(3,290)	–	(3,290)
Originally/reversing during the year	8,801	450	151	–	9,402
	8,801	450	(3,139)	–	6,112
At 31 March 2009 and 1 April, 2009	–	–	–	447,733	447,733
Exchange adjustment	–	–	–	3,278	3,278
Credited to consolidated income statement ( <i>note 11</i> )	–	–	–	(65,654)	(65,654)
<b>At 31 March 2010</b>	–	–	–	385,357	385,357

  

	Company Accelerated tax		Total HK\$'000
	Unused tax losses HK\$'000	depreciation HK\$'000	
At 1 April 2008	(8,801)	4	(8,797)
Credited/(charged) to income statement	8,801	(4)	8,797
<b>At 31 March 2009 and at 31 March 2010</b>	–	–	–



## Notes to Financial Statements

### 31. DEFERRED TAX (CONT'D)

(b) Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Decelerated/(accelerated) depreciation allowances	111	27	(1)	(2)
Tax losses carried forward	28,656	22,005	15,300	18,886
	<b>28,767</b>	22,032	<b>15,299</b>	18,884

At 31 March 2010, the Group has unused tax losses of HK\$123,990,000 (2009: HK\$130,527,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of HK\$123,990,000 (2009: HK\$130,527,000) due to the unpredictability of future profit streams. The unrecognised tax losses of HK\$116,263,000 (2009: HK\$125,030,000) can be carried forward indefinitely. The remaining HK\$7,727,000 (2009: HK\$5,497,000) expires in one to fifth years.

At 31 March 2010, there was no significant unrecognised deferred tax liability (2009: HK\$ Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There was no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 32. SHARE CAPITAL

	Note	Number of shares of HK\$0.01 each		Number of shares of HK\$0.02 each		Share capital	
		2010	2009	2010	2009	2010	2009
		'000	'000	'000	'000	HK\$'000	HK\$'000
<b>Authorised:</b>							
Ordinary shares at beginning of year		-	-	15,000,000	15,000,000	300,000	300,000
Capital reorganisation – share subdivision	(a)(iii)	30,000,000	-	(15,000,000)	-	-	-
<b>Ordinary shares at end of year</b>		<b>30,000,000</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Issued and fully paid:</b>							
Ordinary shares at beginning of year		-	-	3,636,340	3,636,340	72,726	72,726
Capital reorganisation – share consolidation	(a)(i)	145,453	-	(3,636,340)	-	-	-
– capital reduction	(a)(ii)	-	-	-	-	(71,272)	-
Issue of new shares upon exercise of convertible notes	(b)	1,240,775	-	-	-	12,408	-
<b>Ordinary shares at end of year</b>		<b>1,386,228</b>	<b>-</b>	<b>-</b>	<b>3,636,340</b>	<b>13,862</b>	<b>72,726</b>

## Notes:

- (a) On 3 April 2009, the shareholders approved the following changes to the capital of the Company:
- (i) share consolidation: that every twenty-five issued shares of HK\$0.02 each in the share capital of the Company (the “Shares”) be consolidated into one share of HK\$0.5 (the “Consolidated Share”); and
  - (ii) capital reduction: that (i) the paid-up capital of each Consolidated Share be reduced from HK\$0.5 to HK\$0.01 by cancelling HK\$0.49 so as to create a reorganised share of HK\$0.01 (the “Reorganised Share”) and (ii) the amount of credit arising from capital reduction be credited to contributed surplus account of the Company; and
  - (iii) share subdivision: that each of the authorised but unissued shares of HK\$0.02 be sub-divided into two Reorganised Shares of HK\$0.01 each.
- The above changes became effective on 6 April 2009.
- (b) During the year ended 31 March 2010, 1,240,775,000 (2009: Nil) new ordinary shares in aggregate were issued at the conversion price of HK\$0.6 per share to the convertible notes holders upon the conversion of the convertible notes (note 30). As a result, there was an increase in share capital of HK\$12,408,000 and share premium of HK\$732,057,000 (2009: Nil) respectively.

## 32. SHARE CAPITAL (CONT'D)

### Share option scheme

On 30 July 2004, shareholders' resolution of the Company was passed to terminate the share option scheme adopted by the Company on 9 October 1997 (the "Old Scheme") and to adopt a new share option scheme (the "New Scheme"). As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme remain in full force and effect. The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group. Eligible participants of the New Scheme include employees (including executive directors), non-executive directors (including independent non-executive directors), suppliers of goods or services, customers, shareholders of the Group and persons or entity that provides research, development or other technological support to the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from 11 August 2004, the date of the Stock Exchange's granting of the listing of and permission to deal in the shares to be issued pursuant to the exercise of options under the New Scheme.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares insurable under share options to each eligible participant within any 12-month period is limited to 1% of the Company's shares in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer with consideration of HK\$1.00 being payable by the grantee. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (3) 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.

There were no outstanding options at the beginning and at the end of the financial year ended 31 March 2010. No share option has been granted by the Company under the New Scheme during the years ended 31 March 2009 and 31 March 2010. The total number of shares available for issue under the New Scheme as at the date of these financial statements was 199,132,000 (on post-subdivision basis), representing 5.47% of the issued share capital of the Company as at the date of these financial statements.

## 33. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 33 and 34 of the financial statements.

### (b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes equity reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	188,467	83,168	–	(1,291)	166,035	436,379
Recognition of equity component of convertible notes	–	–	25,807	–	–	25,807
Realised on disposal of available-for-sale financial assets	–	–	–	1,291	–	1,291
Loss for the year – <i>note 12</i>	–	–	–	–	(42,186)	(42,186)
<b>At 31 March 2009 and 1 April 2009</b>	<b>188,467</b>	<b>83,168</b>	<b>25,807</b>	<b>–</b>	<b>123,849</b>	<b>421,291</b>
Capital reorganisation ( <i>note 32</i> ) – capital reduction	–	71,272	–	–	–	71,272
Recognition of equity component of convertible notes	–	–	296,020	–	–	296,020
Issue of shares on conversion of convertible notes	732,057	–	(295,835)	–	–	436,222
Profit for the year – <i>note 12</i>	–	–	–	–	38,012	38,012
<b>At 31 March 2010</b>	<b>920,524</b>	<b>154,440</b>	<b>25,992</b>	<b>–</b>	<b>161,861</b>	<b>1,262,817</b>

The contributed surplus of the Group arose (i) as a result of the Group reorganisation carried out on 12 September 1997 and represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore and (ii) as a result of the Group capital reorganisation carried out on 3 April 2009 in respect of capital reduction which became effective on 6 April 2009.

The contributed surplus of the Company arose (i) as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore and (ii) as a result of the Group capital reorganisation carried out on 3 April 2009 in respect of capital reduction which became effective on 6 April 2009.

Under the Companies Act 1981 (as amended) of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

# Notes to Financial Statements

## 34. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At the reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	2,305	1,954
In the second to fifth years, inclusive	700	700
Over five years	757	816
	<b>3,762</b>	<b>3,470</b>

## 35. CONTINGENT LIABILITIES

At the reporting date, the Group did not have any significant contingent liabilities.

At 31 March 2009, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities granted to the wholly-owned subsidiaries. As at 31 March 2010, there was no such contingent liability.

At 31 March 2009, the Company had not recognised any deferred income in respect of the guarantees as their fair values could not be reliably measured and their transaction prices were HK\$Nil.

## 36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

The emoluments of directors and other members of key management of the Group during the year were as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Short-term benefits	1,712	1,080
Post-employment benefits	15	8
	<b>1,727</b>	<b>1,088</b>

Further details of directors' emoluments are included in note 14 to the financial statements.

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's and the Company's interest rate risk relates primarily to the bank deposits and variable-rate bank borrowings.

The Group and the Company currently do not have an interest rate hedging policy to hedge against its exposures. However, the management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arise.

### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For bank balances and variable-rate bank borrowings, the analysis is prepared assuming the amount of assets and liabilities outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

In respect of bank deposits and variable-rate bank borrowings, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's loss for the year ended 31 March 2010 would decrease/increase by approximately HK\$8,600 and HK\$770 (2009: The Group's and the Company's loss would decrease/increase by HK\$109,000 and HK\$96,800) respectively. This is mainly attributable to the Group's and the Company's exposure to interest rates on its bank deposits and variable-rate bank borrowings.

### Foreign currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in respect of highly probable foreign currency forecast sales or purchases in accordance with the Group's risk management policies.

Certain trade receivables and payables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The impact on the Group's loss and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

### Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the reporting date, 75.69% (2009: Nil) and 95.36% (2009: Nil) of the total trade receivables was due from the Group's largest customer and the five largest customers in aggregate respectively within the manufacture and sale of fur garment and trading of fur skins segments. In addition, certain customers are required to pay customers' deposits and receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not significant.

# Notes to Financial Statements

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Credit risk (cont'd)

The credit risk of the Group's other financial assets, which comprise time deposits, cash and bank balances, prepayments, deposits, temporary payments and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

### Liquidity risk

For the management of the liquidity risk, the Group and the Company monitor and maintain a sufficient level of time deposits, cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The following table details the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and the Company can be required to pay:

### Group

	2010					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	
Trade payables	300	–	–	–	–	300
Other payables and accruals	4,226	–	–	–	–	4,226
	<b>4,526</b>	–	–	–	–	<b>4,526</b>

	2009					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	
Trade payables	62	–	–	–	–	62
Other payables and accruals	5,743	–	–	–	–	5,743
Convertible notes	–	–	–	–	756,278	756,278
	<b>5,805</b>	–	–	–	<b>756,278</b>	<b>762,083</b>

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Liquidity risk (cont'd)

#### Company

	2010				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 5 years HK\$'000	
Amount due to a subsidiary	1,920	–	–	–	1,920
Other payables and accruals	453	–	–	–	453
	<b>2,373</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,373</b>

	2009				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 5 years HK\$'000	
Amount due to a subsidiary	960	–	–	–	960
Other payables and accruals	322	–	–	–	322
Convertible notes	–	–	–	756,278	756,278
	<b>1,282</b>	<b>–</b>	<b>–</b>	<b>756,278</b>	<b>757,560</b>

### Price risk

The Group and the Company are exposed to equity securities price risk on the financial assets at fair value through profit or loss and the derivatives embedded in convertible notes. The Group's and the Company's equity securities price risk are mainly concentrated on equity. The management manages the exposure to price risk by maintaining a portfolio of investments with different profiles in Hong Kong and overseas.

The derivatives options embedded in convertible notes held by the Group is required to be recognised at fair value at each reporting date. Changes in fair value are recognised in profit and loss as long as the convertible notes are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in share price of the convertible notes issuer.



# Notes to Financial Statements

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Price risk (cont'd)

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity and debt securities price risks at the reporting date.

If the prices of the respective listed equity and debt instruments had been 5% higher/lower:

Loss of the Group and the Company decrease/increase approximately by HK\$4,037,000 (2009: HK\$2,498,000) respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group's and the Company's sensitivity to financial assets at fair value through profit or loss has not changed significantly from prior year.

The sensitivity analysis on derivatives options embedded in convertible notes set out as below have been determined based on the exposure to the change of share price of the convertible notes issuers at the reporting date only.

If the share prices of those convertible notes issuers had been 5% higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK\$2,296,000 (2009: HK\$704,000), as a result of changes in fair value of the derivatives option embedded in the convertible notes.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in determining the fair value of the derivatives embedded in the convertible notes involves, multiple variables and certain variables are interdependent.

### Fair value

The fair values of time deposits, cash and bank balances, trade receivables, prepayments, deposits, temporary payments and other receivables, customers' deposits, trade payables, other payables and accruals are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of financial assets at fair value through profit or loss are based on the quoted market bid prices available on the relevant Stock Exchange.

The fair values of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

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

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Fair value (cont'd)

Unlisted securities included in available-for-sale financial assets are stated at fair value after the carrying amounts are determined to be impaired.

As set out in note 18, the Company had balances with subsidiaries. It is not practical to estimate the fair values of the amounts due to the related party nature of these instruments.

#### (i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Group and Company 2010			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss	80,745	–	–	80,745
Derivative financial instruments:				
– Conversion option derivative of convertible notes	–	–	6,147	6,147
	80,745	–	6,147	86,892

# Notes to Financial Statements

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Fair value (cont'd)

#### (i) Financial instruments carried at fair value (cont'd)

	Group and Company			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Financial assets at fair value through profit or loss	49,959	–	–	49,959
<b>Liabilities</b>				
Derivative financial instruments:				
– Conversion option derivative of convertible notes	–	–	756,278	756,278

The movement during the year in the balance of Level 3 fair value measurements is as follows:

Conversion option derivative of convertible notes

	The Group and Company HK\$'000
At 1 April 2008	–
Change in fair value recognised in profit or loss	(756,278)
At 31 March 2009 and 1 April 2009	(756,278)
Change in fair value recognised in profit or loss	47,153
Conversion into ordinary shares	715,272
<b>At 31 March 2010</b>	<b>6,147</b>

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2010 and 31 March 2009.

### 38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2010 and 31 March 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. Net debt includes interest-bearing bank and other borrowings, less time deposits, cash and bank balances, and excludes discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratio as at the reporting dates was as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total borrowings		
Convertible notes	–	756,278
Less: time deposits, cash and bank balances	<b>13,137</b>	27,709
Net debt	<b>(13,137)</b>	728,569
Total equity	<b>1,289,520</b>	717,433
Gearing ratio	<b>Nil</b>	1.02

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

# Notes to Financial Statements

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

Group  
2010

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	7,800	7,800
Prepayments, deposits, temporary payments and other receivables	–	4,813	–	4,813
Trade receivables	–	5,679	–	5,679
Financial assets at fair value through profit or loss	80,745	–	–	80,745
Time deposits, cash and bank balances	–	13,137	–	13,137
Derivatives embedded in convertible notes	45,917	–	–	45,917
	<b>126,662</b>	<b>23,629</b>	<b>7,800</b>	<b>158,091</b>

	Financial liabilities at amortised cost <i>HK\$'000</i>
<b>Financial liabilities</b>	
Trade payables	300
Customers' deposits	1,580
Other payables and accruals	4,226
Convertible notes	39,770
	<b>45,876</b>

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Group  
2009

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	7,800	7,800
Prepayments, deposits, temporary payments and other receivables	–	5,386	–	5,386
Trade receivables	–	3	–	3
Financial assets at fair value through profit or loss	49,959	–	–	49,959
Time deposits, cash and bank balances	–	27,709	–	27,709
Derivatives embedded in convertible notes	14,080	–	–	14,080
	64,039	33,098	7,800	104,937
			Financial liabilities at amortised cost <i>HK\$'000</i>	
<b>Financial liabilities</b>				
Trade payables				62
Customers' deposits				2,161
Other payables and accruals				5,743
Convertible notes				770,358
				778,324

# Notes to Financial Statements

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company  
2010

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Financial assets</b>			
Amounts due from subsidiaries	–	2,040	2,040
Prepayments, deposits and other receivables	–	1,652	1,652
Financial assets at fair value through profit or loss	80,745	–	80,745
Time deposits, cash and bank balances	–	6,735	6,735
Derivatives embedded in convertible notes	45,917	–	45,917
	<b>126,662</b>	<b>10,427</b>	<b>137,089</b>

	Financial liabilities at amortised cost <i>HK\$'000</i>
<b>Financial liabilities</b>	
Amount due to a subsidiary	1,920
Other payables and accruals	453
Convertible notes	39,770
	<b>42,143</b>

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company  
2009

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Financial assets</b>			
Amounts due from subsidiaries	–	27,040	27,040
Prepayments, deposits and other receivables	–	333	333
Financial assets at fair value through profit or loss	49,959	–	49,959
Time deposits, cash and bank balances	–	20,102	20,102
Derivatives embedded in convertible notes	14,080	–	14,080
	64,039	47,475	111,514

	Financial liabilities at amortised cost <i>HK\$'000</i>
<b>Financial liabilities</b>	
Amount due to a subsidiary	960
Other payables and accruals	322
Convertible notes	770,358
	771,640

## 40. ACQUISITION OF SUBSIDIARIES – 2009

The Group acquired the following subsidiaries during the year ended 31 March 2009 with details below.

## (a) Oriental Harvest Group

During the year ended 31 March 2009, the Company and a wholly owned subsidiary of the Company, Perfect Fair Limited acquired 80% interest in Shanxi Jiuquan Mining Company Limited through acquiring Oriental Harvest Development Limited (“Oriental Harvest Group”) at a consideration of HK\$1,137 million which was settled by cash of HK\$300 million and the Company’s issue of HK\$837 million convertible notes during the year ended 31 March 2009.

At 24 June 2009, the Company entered into deeds of settlement with the holders of the convertible notes that the Company issued to the old convertible notes holders the new convertible notes in the aggregate principal amount of HK\$744,930,000. The total consideration in calculating the goodwill was adjusted to reflect the ultimate settlement of the acquisition.



# Notes to Financial Statements

## 40. ACQUISITION OF SUBSIDIARIES – 2009 (CONT'D)

### (a) Oriental Harvest Group (cont'd)

Details of net assets acquired and liabilities assumed attributable to the Group as at the acquisition date were as follows:

	Pre-acquisition carrying amount <i>HK\$'000</i>	2009 Fair value adjustments <i>HK\$'000</i>	Fair values on acquisition <i>HK\$'000</i>
Property, plant and equipment	321	–	321
Exploration and evaluation assets	7,923	1,756,470	1,764,393
Cash and bank balances	5,467	–	5,467
Other current assets	203	–	203
Current liabilities	(265)	–	(265)
Deferred tax liabilities	–	(439,118)	(439,118)
Minority interests	(1,646)	(263,470)	(265,116)
<b>Net identifiable assets</b>	<b>12,003</b>	<b>1,053,882</b>	<b>1,065,885</b>
Share of net identifiable assets attributable to Oriental Harvest Group			1,065,885
Discount on acquisition			<u>(17,823)</u>
Total consideration			1,048,062
Consideration satisfied by issue of convertible notes			<u>(744,930)</u>
			<u><u>303,132</u></u>
<b>Net cash outflow in respect of acquisition of subsidiaries</b>			
Consideration satisfied by cash			(300,000)
Direct costs relating to the acquisition			(3,132)
Cash and bank balances acquired			<u>5,467</u>
			<u><u>(297,665)</u></u>

## 40. ACQUISITION OF SUBSIDIARIES – 2009 (CONT'D)

### (b) Paris Fur

Pursuant to a sale and purchase agreement made during the year ended 31 March 2009, the Company acquired 100% equity interest of Paris Fur for a consideration of EUR440,000 (equivalent to approximately HK\$5,014,000). Paris Fur is engaged in retail shop of fur garment in Paris, France.

Details of net assets acquired and liabilities assumed attributable to the Group as at the acquisition date were as follows:

	Pre-acquisition carrying amount <i>HK\$'000</i>	2009 Fair value adjustments <i>HK\$'000</i>	Fair value on acquisition <i>HK\$'000</i>
Other current assets	133	–	133
Current liabilities	(310)	–	(310)
Net identifiable assets	(177)	–	(177)
Share of net identifiable assets attributable to Paris Fur			(177)
Goodwill on acquisition			5,191
Total consideration			5,014
Consideration satisfied by cash			(5,014)
			–
<b>Net cash outflow in respect of acquisition of subsidiaries</b>			
Consideration satisfied by cash			(5,014)

## 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2010.

# Five Year Financial Summary

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

## RESULTS

	2010 HK\$'000	Year ended 31 March			
		2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
TURNOVER	<b>140,970</b>	173,611	215,806	359,576	208,281
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	<b>(218,990)</b>	83,197	(44,282)	70,866	55,860
Finance costs	<b>(29,378)</b>	(144,129)	(4,212)	(7,346)	(2,782)
Share of loss of an associate	–	–	(2)	(10)	(48)
(LOSS)/PROFIT BEFORE TAX	<b>(248,368)</b>	(60,932)	(48,496)	63,510	53,030
Tax	<b>65,654</b>	(6,112)	8,627	170	(6,604)
(LOSS)/PROFIT FOR THE YEAR	<b>(182,714)</b>	(67,044)	(39,869)	63,680	46,426
Attributable to:					
Equity shareholders of the Company	<b>(142,901)</b>	(66,679)	(39,869)	63,680	46,426
Minority interests	<b>(39,813)</b>	(365)	–	–	–
	<b>(182,714)</b>	(67,044)	(39,869)	63,680	46,426

## ASSETS AND LIABILITIES

	2010 HK\$'000	As at 31 March			
		2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
PROPERTY, PLANT AND EQUIPMENT	<b>2,862</b>	3,478	2,612	6,812	6,723
INVESTMENT PROPERTIES	–	–	60,250	30,380	27,100
PREPAID LAND LEASE PAYMENTS	–	–	–	881	904
INTEREST IN AN ASSOCIATE	–	–	18	20	30
AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER INVESTMENTS	<b>7,800</b>	7,800	32,927	251,642	194,035
EXPLORATION AND EVALUATION ASSETS	<b>1,549,893</b>	1,799,008	–	–	–
GOODWILL	<b>2,591</b>	3,891	–	–	–
DEFERRED TAX ASSETS	–	–	9,251	–	–
CONVERTIBLE NOTES	<b>6,147</b>	–	–	–	–
CURRENT ASSETS	<b>112,280</b>	115,823	385,030	157,343	200,117
TOTAL ASSETS	<b>1,681,573</b>	1,930,000	490,088	447,078	428,909
CURRENT LIABILITIES	<b>6,696</b>	8,556	20,882	116,764	146,206
NON-CURRENT LIABILITIES	<b>385,357</b>	1,204,011	7,267	2,963	2,354
TOTAL LIABILITIES	<b>392,053</b>	1,212,567	28,149	119,727	148,560
NET ASSETS	<b>1,289,520</b>	717,433	461,939	327,351	280,349