RISING DEVELOPMENT HOLDINGS LIMITED
麗 盛 集 團 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1004)

ANNUAL REPORT 2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lee Yuk Lun *(Chairman & Chief Executive Officer)*
Mr. Kong Shan, David
Mr. Lam Kwan Sing

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

Rooms 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

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 2011.

RESULTS OF THE GROUP

During the year under review, the Group recorded a turnover of HK$109,443,000 (2010: HK$140,970,000), representing a decrease of 22% as compared to that of last year. The decrease in turnover was mainly due to drop in the business of trading of fur skins and trading in securities. The net loss attribute to equity shareholders of the Company for the current year amounted to HK$114,081,000 as compared to a net loss of HK$142,901,000 last year, resulting in a basic loss per share this year of HK8.23 cents (2010: basic loss per share of HK21.77 cents). Such loss was mainly due to 1) loss on change in fair value of derivative components embedded in convertible notes was HK$36,855,000 and 2) impairment loss of mining business which requires current market valuation each year on the vanadium mine right, valuation was RMB1,307,000,000 (equivalent to HK$1,552,062,000) as at 31 March 2011 as compared to its carrying amount of RMB1,350,000,000 (equivalent to HK$1,541,430,000) as at 31 March 2010, resulted in a loss after tax of HK$30,637,000 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$85,565,000, representing a decrease of 22% compared with the corresponding period last year of HK$109,165,000.Loss of HK$24,042,000 was recorded from this sector during the year as compared with the corresponding period last year of a profit HK$30,774,000. The loss was mainly due to the loss on trading in listed financial assets at fair value through profit or loss of HK$8,359,000 during the year and unrealized loss on investment in listed financial assets at fair value through profit or loss of HK$16,388,000 at 31 March 2011.

FUR BUSINESS

Trading of fur skins

This year's skin trading turnover was HK$15,807,000, representing a 38% decrease compared with the corresponding period last year of HK$25,400,000. Profit of HK$695,000 was recorded from this sector during the year as compared with the corresponding period last year of a loss HK$9,691,000. The profit was mainly due to a substantial reversal of write-down of inventories that had already been provided for last year and were sold during the year.

Trading and sales of fur garment

The turnover of sales of fur garment during the year was HK$8,071,000, representing a 26% increase compared with the corresponding period last year of HK$6,405,000. The loss from sales of fur garment was HK$8,796,000, a decrease of 33% during the year as compared with the corresponding period last year of loss HK$13,113,000. The increase in turnover was mainly due to increase in sales both in Hong Kong and China. The reduction in loss was mainly due to lesser resources needed to put in China market this year than that of last year which was the commencing year for the marketing works in China, plus lesser provision for garments to be made this year as compared to that of last year.

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, and in order to preserve the financial strength of the Group, the Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

ACKNOWLEDGEMENT

I would like to express my sincere thanks to all our shareholders, investors, bankers, business associates and customers for their supports extended to the Group and to all our directors, senior management and staff members for their valuable contributions.

Dr. Lee Yuk Lun
Chairman

Hong Kong, 24 June 2011

EXECUTIVE DIRECTORS

Dr. Lee Yuk Lun, aged 48, is the Chief Executive Officer and the Chairman of the Company. He has joined the Group since 31 August 2007. Dr. 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 12 years of experience in project investments in Mainland China. Dr. Lee is a Committee 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 a director of Beijing Chinese Overseas Friendship Association (北京海外聯誼會理事) and a Director of Tung Wah Group of Hospitals (東華三院) 2009/2012, a part-time member of the Central Policy Unit of the Government of HKSAR, the Founding Chairman of Wanchai and Central & Western District Industries & Commerce Association and the Founding Chairman of Dr. Lee Yuk Lun Charitable Foundation. Dr. Lee is also the Chairman of Pico Zeman Asset Management Limited and Volk Favor Food Company Limited. Dr. Lee was 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 57, 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 22 years of experience in property development and investment and corporate management in Mainland China.

Mr. Lam Kwan Sing, aged 41, is an executive director of the Company. He joined the Group on 1 August 2010. Mr. Lam graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 14 years of experience in the commercial and corporate finance field. Mr. Lam is currently a director of China National Resources, Inc., a company listed on NASDAQ since 2003, which is principally engaged in the acquisition and exploitation of mining rights, including the exploitation, mineral extraction, processing and sale of iron, zinc and other nonferrous metals extracted or produced at mines primarily located in Anhui province in the PRC; and the acquisition, exploration, construction, development and operation of coal mines located in Guizhou Province in the PRC. Mr. lam was an executive director of Shanghai Industrial Urban Development Group Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 563) from May 2008 to July 2010 and Forefront Group Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 885) from July 2007 to December 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas, aged 40, 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 15 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 46, 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 partner 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 Goldin Financial Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 530) and China Public Healthcare (Holding) Limited (a company listed on the growth enterprise market of the Hong Kong Stock Exchange, stock code: 8116).

Mr. Tsui Ching Hung, aged 57, 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 extensive experience in senior management positions of several multinational corporations in Hong Kong. Mr. Tsui is currently also an executive director of CST Mining Group Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 985) and an non-executive director of G-Resources Group Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 1051).

SENIOR MANAGEMENT

Mr. Chiang Chi Kin, Stephen, aged 42, joined the Company as the Deputy General Manager and Company Secretary in September 2007. He is also a director of a number 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 13 years of experience in corporate and commercial law, and is responsible primarily for the general management and the legal and company secretarial matters of the Group.

Mr. Choi Sing Kay, aged 53, joined the Company as the Accounting Manager in June 2008. Mr. Choi graduated from the Chinese University of Hong Kong with a bachelor's degree in Social Science. He had worked in an international bank for about 10 years with China banking experience. Mr. Choi had received formal banking training in London. He also had over 10 years experience in finance and accounting in listed companies in Hong Kong. He is responsible for the financial & accounting matters of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover by Business Segments

Ratio analysis by business segments for the Group's turnover for the year ended 31 March 2011 is as follows:

- Trading in securities: approximately HK$85,565,000, 78% of turnover (2010: HK$109,165,000, 77%)
- Fur skin trading: approximately HK$15,807,000, 14% of turnover (2010: HK$25,400,000, 18%)
- Trading and sales of fur garments: approximately HK$8,071,000, 8% of turnover (2010: HK$6,405,000, 5%)

Turnover by Geographical Region

Ratio analysis by geographical region for the Group's turnover for the year ended 31 March 2011 is as follows:

- Hong Kong: approximately HK$92,720,000, 85% of turnover (2010: HK$112,796,000, 80%)
- Mainland China: approximately HK$15,816,000, 14% of turnover (2010: HK$25,401,000, 18%)
- Other regions: approximately HK$907,000, 1% of turnover (2010: HK$2,773,000, 2%)

PROSPECT

Investment Business

It is expected that the general investment atmosphere will remain misty in the coming year. Faced with the European Crisis and Sovereignty Risks, the tightening control of liquidity has already caused negative impact on the equity market. It seems that prevailing low interest rate and the possibility of quantitative easing policy phase three (Q3) to be implemented in US would be the only positive sentimental for the equity market. The Group would exercise more care and would be acting more cautious in its investment business.

Fur Business

Trading of fur skins

Trading of fur skin is expected to be sluggish in the forthcoming year for the Group, as China, the largest consumer in the fur skin market both in retail and manufacturing, has exercised much tighter control by regulating the import duty in the fur skin import. This affects our skin trade import customers as their costs are expected to be much higher. The Group would put fewer resources in the fur skin trading business and a significant drop in this sector in the coming year is expected.

Trading and sales of fur garment

Fur garment sales in Europe are not as good as expected last year in our Paris' retail shop. Retail markets in France and Europe in general is expected to perform more or less the same this year. Last year, sales in this sector maintained a growth due to better performance in both China and Hong Kong. We expect that there will be growth in this sector in the coming year, same from China and Hong Kong. At the same time we are trying to develop other markets as a strategy of diversification by putting in more resource in develop our own design and adding more fashion element in our own brand.

Mining Business

Last year the Group has, as planned, commenced the initial extraction of vanadium ore. Drilling work has successfully reached the mining zone and extracted vanadium mineral rocks. However vanadium price is still low in the market, presently its price is slightly less than 40% of its peak in 2008 before the credit crisis. We would keep on our production schedule awaiting the vanadium market price to rise gradually in order to keep the mine reserve, and to sell at a higher price. In the coming year, more works would be done for the preparation of extraction and refining, including infrastructure construction works.

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 2011, the Group had cash and bank balances of approximately HK$18,920,000 (2010: HK$13,137,000). As at 31 March 2011, the Group's interest bearing bank and other borrowings (including convertibles notes) amounted to approximately HK$33,584,000 (2010: HK$Nil). Shareholders' funds amounted to approximately HK$1,213,747,000 (2010: HK$1,289,520,000). Accordingly, the gearing ratio (as calculated in note 36 to the financial statements) was 0.01 (2010: Nil).

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 to adjustment for general dilutive events.

During the year ended 31 March 2010, the Company entered into deeds 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 (subject to adjustment). The CN 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 amount of the 11 April 2008 convertible notes were settled in fully 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. Outstanding principal amounts of the convertible notes as at 31 March 2011 were HK$465,000.

(II) 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 reorganization. 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 the end of each reporting period. The equity component is recognized 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 2011 and 31 March 2010 by an independent firm of professionally qualified valuers, BMI Appraisals Limited.

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

	2011	2010
Euro	**EUR35,142**	EUR101,292
United States dollars	**USD539,741**	USD47,024
Renminbi	**RMB656,666**	RMB618,695

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 of the Group as at the end of the reporting periods was as follows:

	2011	2010
	HK$'000	*HK$'000*
Total borrowings		
Convertible notes	**33,584**	–
Less: time deposits, cash and bank balances	**18,920**	13,137
Net debt	**14,664**	(13,137)
Total equity	**1,213,747**	1,289,520
Gearing ratio	**0.01**	Nil

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

Details of capital structure of the Group held as at 31 March 2011 are set out in notes 29, 31 and 36 to the financial statements.

CHARGES ON ASSETS

At 31 March 2011 and 31 March 2010, the Group did not obtain any banking facilities and borrowings except for convertible notes, details of which are set out in note 29 to the financial statements.

At 31 March 2011, the Group did not have any charges on its assets (At 31 March 2010:Nil).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

There were no acquisition and disposal of subsidiaries and associates during the year ended 31 March 2011.

Details of significant investments in subsidiaries held by the Group as at 31 March 2011 are set out in note 18 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 2011, 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 2011.

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 2011.

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:

Dr. Lee Yuk Lun	*(Chairman of the Board and Chief Executive Officer)*
Mr. Kong Shan, David	
Mr. Lam Kwan Sing	

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)*

There is service contract between the Company and Mr. Lam Kwan Sing disclosed in the announcement dated 3 August 2010 and 4 August 2010 of the Company. He has entered a service contract with the Company on 1 August 2010 for a fixed term of 2 years commencing from 1 August 2010. He will be subject to retirement by rotation and the re-election at least once every three years by shareholders at the annual general meeting. Save as disclosed above, there is no service contract between the Company and other Directors.

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.

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 Dr. Lee Yuk Lun 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. Fok Ho Yin, Thomas and Mr. Tsui Ching Hung shall retire by rotation at the forthcoming 2011 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.

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 2011, the Board, through its meetings held on 23 July 2010 (with the presence of all directors) and 2 August 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 2010 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 appointment of Mr. Lam Kwan Sing as an executive director 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 2011, the Board has met regularly with a total of 4 Board meetings for reviewing and considering the financial and operating performance, business development and prospects of the Group.

The attendance records of each director at these 4 Board meetings are set out below:

Name of Director	Attendance/ Number of Board Meetings
Executive directors	
Dr. Lee Yuk Lun	4/4
Mr. Kong Shan, David	4/4
Mr. Lam Kwan Sing *(Note)*	2/2
Independent non-executive directors	
Mr. Fok Ho Yin, Thomas	4/4
Mr. Tso Hon Sai, Bosco	4/4
Mr. Tsui Ching Hung	4/4

Note: Mr. Lam Kwan Sing appointed with effect from 1 August 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 2011.

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 2011 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 2011, the Remuneration Committee has met once 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 once Remuneration Committee meeting are set our below:

Name of Remuneration Committee Member	Attendance/ Number of Board Meetings
Mr. Fok Ho Yin, Thomas *(Chairman)*	1/1
Mr. Tso Hon Sai, Bosco	1/1
Mr. Tsui Ching Hung	1/1

Details of the remuneration of each director of the Company for the year ended 31 March 2011 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 2011, 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 2010 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 2010, 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 2011.

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:

Name of Audit Committee Member	**Attendance/ Number of Board Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman)*	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 2011.

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 2011. 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 2011 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 2011 are analysed below:

Type of services provided by the external auditor	Fees paid/payable
Audit services – audit fee for the year ended 31 March 2011	415,000
Non-audit services	120,000
Total	535,000

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 recognizes 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 2011, the Company held one shareholders' meeting, which is the annual general meeting held on 21 September 2010.

Code provision E.1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting. Dr. Lee Yuk Lun the Chairman of the Board was unable to attend the Company's 2010 annual general meeting as he had another important business engagement. Despite his absence, he had arranged for Mr. Kong Shan, David, the executive director of the Company, to take the chair of the meeting and communicate with the shareholders. Mr. Lam Kwan Sing and Mr. Tsui Ching Hung also attended the 2010 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.

All resolutions put forward at shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (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 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. The Group is principally engaged in investment holding and trading in securities, the trading and sales 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 2011 is set out in note 7 to the financial statements.

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 28 to 93.

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 2011.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$Nil (2010: HK$60,000).

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 29 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

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

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$241,606,000 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$92,052,400 as at 31 March 2011, 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 72.66% of the total sales of fur skins and fur garments for the year and sales to the largest customer included therein amounted to 30.58%.

Purchases from the Group's five largest suppliers in aggregate accounted for 95.05% of the total purchases of fur skins and fur garments for the year and purchases from the largest supplier included therein amounted to 44.71%.

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

Dr. Lee Yuk Lun	(Chairman & Chief Executive Officer)
Mr. Kong Shan, David	
Mr. Lam Kwan Sing	(Appointed on 1 August 2010)

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. Fok Ho Yin, Thomas and Mr. Tsui Ching Hung 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 2011, Mr. Lam Kwan Sing has entered a service contract with the Company on 1 August 2010 for a fixed term of 2 years commencing from 1 August 2010 which is disclosed in the announcement dated 3 August 2010 and 4 August 2010 of the Company. He will be subject to retirement by rotation and the re-election at least once every three years by shareholders at the annual general meeting. Save as disclosed above, there is no service contract between the Company and other Directors.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one 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 contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 31 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 31 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.

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

At 31 March 2011, 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 *(Note 1)*	Interest held by Controlled Corporation *(Note 2)*	811,532,600 *(Note 3)*	58.54%

Notes:

1. Mr. Lai Leong resigned as an executive director, Chairman and Chief Executive Officer of the Company with effect from 15 March 2010. Mr. Lai remains a director of a number of the subsidiaries of the Company.

2. These shares 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 811,532,600, 810,757,600 shares have been issued and are beneficially owned by Oriental Day International Limited which represented approximately 58.49% of the issued share capital of the Company. Up to 31 March 2011, 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 31 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 2011, 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 2011.

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

As at 31 March 2011, 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
Mr. Lai Leong	Corporate interests	811,532,600 *(Note 1)*	58.54%
Oriental Day International Limited	Beneficial owner	811,532,600 *(Note 2)*	58.54%
Mr. Chen Jianjun	Beneficial owner	96,620,000	6.97%

Notes:

1. 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".

2. Out of 811,532,600, 810,757,600 shares have been issued and are beneficially owned by Oriental Day International Limited which represented approximately 58.49% of the issued share capital of the Company. Up to 31 March 2011, 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 2011.

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 94 of the annual report.

SUFFICIENCY OF 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 annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

Messrs. Li, Tang, Chen & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Li, Tang, Chen & Co. as auditors of the Company is to 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 2011 annual general meeting of the Company will be held on 1 August 2011. 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

Dr. Lee Yuk Lun
Chairman

Hong Kong, 24 June 2011

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 28 to 93, which comprise the consolidated and Company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, 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

24 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
TURNOVER	8	**109,443**	140,970
Cost of sales		**(113,045)**	(131,438)
Gross (loss)/profit		**(3,602)**	9,532
Other income and net (losses)/gains	8		
– Net (loss)/gain from equity securities		**(13,283)**	13,512
– Others		**(36,772)**	47,259
Impairment loss on exploration and evaluation assets	20	**(51,063)**	(262,614)
Impairment loss on goodwill	21	**(1,300)**	(1,300)
Selling and distribution expenses		**(2,922)**	(5,045)
Operating and administrative expenses		**(23,400)**	(20,334)
LOSS FROM OPERATIONS		**(132,342)**	(218,990)
Finance costs	9	**(2,478)**	(29,378)
LOSS BEFORE TAX	10	**(134,820)**	(248,368)
Tax	11	**12,676**	65,654
LOSS FOR THE YEAR		**(122,144)**	(182,714)
ATTRIBUTABLE TO:			
Equity shareholders of the Company	12	**(114,081)**	(142,901)
Non-controlling interests		**(8,063)**	(39,813)
LOSS FOR THE YEAR		**(122,144)**	(182,714)
LOSS PER SHARE	16		
Basic		**HK (8.23) cents**	HK(21.77) cents
Diluted		**HK (8.23) cents**	HK(21.77) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(122,144)**	(182,714)
OTHER COMPREHENSIVE INCOME		
Exchange differences arising on translation of foreign operations	**46,371**	10,151
OTHER COMPREHENSIVE INCOME FOR THE YEAR (NET OF TAX)	**46,371**	10,151
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(75,773)**	(172,563)
ATTRIBUTABLE TO:		
Equity shareholders of the Company	**(77,060)**	(134,725)
Non-controlling interests	**1,287**	(37,838)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(75,773)**	(172,563)

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,618**	2,862
Available-for-sale financial assets	19	**7,800**	7,800
Exploration and evaluation assets	20	**1,561,824**	1,549,893
Goodwill	21	**1,291**	2,591
Convertible notes	29	**398**	6,147
		1,573,931	1,569,293
CURRENT ASSETS			
Inventories	22	**2,005**	5,071
Trade receivables	23	**1,633**	5,679
Prepayments, deposits, temporary payments and other receivables	24	**4,282**	4,813
Financial assets at fair value through profit or loss	25	**38,033**	80,745
Tax recoverable	11	**2,831**	2,835
Time deposits, cash and bank balances	26	**18,920**	13,137
		67,704	112,280
CURRENT LIABILITIES			
Trade payables	27	**43**	300
Customers' deposits		**1,613**	1,580
Other payables and accruals	28	**3,956**	4,226
Convertible notes	29	**33,584**	–
Tax payable		**676**	590
		39,872	6,696
NET CURRENT ASSETS		**27,832**	105,584
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,601,763**	1,674,877
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	**388,016**	385,357
NET ASSETS		**1,213,747**	1,289,520

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**13,862**	13,862
Reserves	32	**966,483**	1,043,543
Equity attributable to equity shareholders of the Company		**980,345**	1,057,405
Non-controlling interests		**233,402**	232,115
TOTAL EQUITY		**1,213,747**	1,289,520

Dr. Lee Yuk Lun
Director

Mr. Lam Kwan Sing
Director

Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2**	10
Interests in subsidiaries	18	**1,193,600**	1,178,891
Convertible notes	29	**398**	6,147
		1,194,000	1,185,048
CURRENT ASSETS			
Amounts due from subsidiaries	18	**2,040**	2,040
Prepayments, deposits and other receivables	24	**1,641**	1,652
Financial assets at fair value through profit or loss	25	**38,033**	80,745
Tax recoverable	11	**2,832**	2,832
Time deposits, cash and bank balances	26	**602**	6,735
		45,148	94,004
CURRENT LIABILITIES			
Amount due to a subsidiary	18	**2,880**	1,920
Other payables and accruals	28	**700**	453
Convertible notes	29	**33,584**	–
		37,164	2,373
NET CURRENT ASSETS		**7,984**	91,631
NET ASSETS		**1,201,984**	1,276,679
CAPITAL AND RESERVES			
Share capital	31	**13,862**	13,862
Reserves	32 (b)	**1,188,122**	1,262,817
TOTAL EQUITY		**1,201,984**	1,276,679

Dr. Lee Yuk Lun
Director

Mr. Lam Kwan Sing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	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*	Exchange fluctuation reserve *HK$'000*	Statutory reserve fund *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2009	72,726	188,467	5,830	25,807	21,112	12	133,526	447,480	269,953	717,433
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(142,901)	(142,901)	(39,813)	(182,714)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	–	–	–	–	8,176	–	–	8,176	1,975	10,151
Total comprehensive income/(loss)	–	–	–	–	8,176	–	(142,901)	(134,725)	(37,838)	(172,563)
Transactions with owners										
Capital reorganisation *(note 31)*										
– 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
Total transactions with owners	(58,864)	732,057	71,272	185	–	–	–	744,650	–	744,650
Balance at 31 March 2010	13,862	920,524	77,102	25,992	29,288	12	(9,375)	1,057,405	232,115	1,289,520

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	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	Exchange fluctuation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 March 2010 and 1 April 2010	13,862	920,524	77,102	25,992	29,288	12	(9,375)	1,057,405	232,115	1,289,520
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(114,081)	(114,081)	(8,063)	(122,144)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	–	–	–	–	37,021	–	–	37,021	9,350	46,371
Total comprehensive income/(loss)	–	–	–	–	37,021	–	(114,081)	(77,060)	1,287	(75,773)
Balance at 31 March 2011	13,862	920,524	77,102	25,992	66,309	12	(123,456)	980,345	233,402	1,213,747

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(134,820)**	(248,368)
Adjustments for:			
Interest expenses		**2,478**	29,378
Dividend income from unlisted available-for-sale financial assets		**(2,400)**	(1,186)
Dividend income from listed financial assets at fair value through profit or loss		**(705)**	(639)
Bank interest income		**(4)**	(10)
Other interest income		**(1)**	(1)
Depreciation		**1,023**	964
Impairment loss on goodwill		**1,300**	1,300
Impairment loss on exploration and evaluation assets	*20*	**51,063**	262,614
Loss on disposal of property, plant and equipment		**4**	–
Unrealised loss/(gain) on investments in financial assets at fair value through profit or loss		**16,388**	(11,687)
Change in fair values of derivative components embedded in convertible notes		**36,855**	(47,153)
Foreign exchange (gain)/loss		**(377)**	229
Operating loss before working capital changes		**(29,196)**	(14,559)
Decrease in inventories		**3,112**	24,863
Decrease/(increase) in trade receivables		**4,046**	(5,676)
Decrease in prepayments, deposits, temporary payments and other receivables		**562**	573
Increase/(decrease) in financial assets at fair value through profit or loss		**26,324**	(19,099)
(Decrease)/increase in trade payables		**(257)**	238
Increase/(decrease) in customers' deposits		**33**	(581)
Decrease in other payables and accruals		**(258)**	(1,517)
Net cash from/(used in) operating activities		**4,366**	(15,758)
INVESTING ACTIVITIES			
Dividend income from unlisted available-for-sale financial assets		**2,400**	1,186
Dividend income from listed financial assets at fair value through profit or loss		**705**	639
Bank interest income		**4**	10
Other interest income		**1**	1
Purchases of property, plant and equipment	*17a*	**(733)**	(324)
Acquisition of exploration and evaluation assets	*20*	**(960)**	(326)
Net cash from investing activities		**1,417**	1,186

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,783**	(14,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13,137**	27,709
CASH AND CASH EQUIVALENTS AT END OF YEAR	**18,920**	13,137
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	**58**	58
Cash and bank balances	**18,862**	13,079
	18,920	13,137

1. CORPORATE INFORMATION

Rising Development Holdings Limited (the "Company") 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 and trading in securities, the trading and sales 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.

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 2011. 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 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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and revised or amended HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	*Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	*Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	*Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	*Amendments to a number of HKFRSs issued in May 2009*
HK Interpretation 4 Amendment	*Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKAS 27 (revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

Amendment to HKAS 27 (Revised) – Consolidated and Separate Financial Statements

As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

The impact of the amendments to HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interest) in excess of their equity interest) has had no effect on these financial statements.

4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

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 Amendments	*Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter*[1]
HKFRS 1 Amendments	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[3]
HKFRS 7 Amendments	*Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[5]
HKAS 12 Amendment	*Deferred Tax: Recovery of Underlying Assets*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	*Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirements*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]
Improvements to HKFRSs 2010[6]	

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013
6 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011

In December 2010, the HKICPA issued another amendment to HKFRS 1 to introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. It also removes the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendment would not have significant impact on the Group's financial statements.

HKFRS 7 Amendments were issued in October 2010. The amendments require more disclosure information that enables users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Currently, the amendments would not have significant financial impact on the Group's financial statements.

HKFRS 9 as issued reflects the first phase of the project on the replacement of HKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in HKAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases of the project, hedge accounting and impairment will be addressed. The completion of this project is expected in 2011. The Group expects to adopt the standard when it becomes effective. The Group will quantify the effect of adoption of the first phase of HKFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011 (CONT'D)

HKAS 12 Amendments were issued in December 2010. The amendments mainly concern the determination of deferred tax on investment property measured using the fair value model in HKAS 40 Investment Property. The amendments are expected to have no impact on the financial statements of the Group.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the amendment is expected to have no impact on the financial statements of the Group.

HK(IFRIC)-Int 14 Amendments were issued in December 2009. The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in the future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The amendments are expected to have no impact on the financial statements of the Group.

HK(IFRIC)-Int 19 addresses the accounting by entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instruments issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation is expected to have no impact on the financial statements of the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. The amendments are expected to have no impact on the financial statements of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries and non-controlling interests

Subsidiaries are entitles 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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

Subsidiaries and non-controlling interests (cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

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.

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 recognise immediately in profit or loss.

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

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.

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 end of the reporting period.

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 short-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 the end of each reporting period 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 the end of each reporting period 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.

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 the end of each reporting period. 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.

An assessment is made at the end of each reporting period 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.

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

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 the end of the reporting period, 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

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) 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.

(d) 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.

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.

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

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 end of the reporting period. 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 end of the reporting period, 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 end of the reporting period 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.

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 2011, the Group had estimated unused tax losses of approximately HK$167,329,000 (2010: HK$123,900,000) available for offset against future profits. No deferred tax asset has been recognised on the tax losses of approximately HK$167,329,000 (2010: HK$123,900,000) 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.

Allowances for inventories

The management of the Group makes allowance for obsolete and slow-moving inventories that are identified as no longer salable. The management estimates the net realisable value of its inventories based primarily on the latest invoice prices and current market conditions. The Group carries out review of inventories on a product-by-product basis at each of the end of the reporting period and makes allowance for obsolete and slow-moving items.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of trading and selling products of similar nature. Management reassesses the estimation on each of the end of the reporting period.

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.

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 2011, an impairment loss of HK$51,063,000 (2010:HK$262,614,000) has been recognised for exploration and evaluation assets. The aggregate carrying value of exploration and evaluation assets was HK$1,561,824,000 (2010: HK$1,549,893,000).

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 29 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 derivate 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 which 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.

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) Trading and sales 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.

7. SEGMENT INFORMATION (CONT'D)

(a) Operating segment information

For the year ended 31 March 2011

	Trading in securities HK$'000	Investments HK$'000	Trading and sales of fur garments HK$'000	Trading of fur skins HK$'000	Mine HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	85,565	–	8,071	15,807	–	–	109,443
Inter-segment sales	–	–	7,095	1,160	–	–	8,255
Reportable segment revenue	85,565	–	15,166	16,967	–	–	117,698
Elimination of inter-segment sales							(8,255)
Consolidated revenue							109,443
Segment results	(24,042)	(268)	(8,796)	695	(53,083)	(1,335)	(86,829)
Reconciliation:							
Interest income							5
Change in fair value of derivative components embedded in convertible notes							(36,855)
Unallocated corporate expenses							(8,663)
Loss from operating activities							(132,342)
Finance costs							(2,478)
Loss before tax							(134,820)
Tax							12,676
Loss for the year							(122,144)
Other segment information:							
Depreciation	–	(4)	(782)	(52)	(65)	(120)	(1,023)
Capital expenditure	–	–	(158)	(2)	(573)	–	(733)
Unrealised loss on investments in financial assets at fair value through profit or loss	(16,388)	–	–	–	–	–	(16,388)
Impairment loss on goodwill	–	–	(1,300)	–	–	–	(1,300)
Impairment loss on exploration and evaluation assets	–	–	–	–	(51,063)	–	(51,063)

7. SEGMENT INFORMATION (CONT'D)

(a) Operating segment information (cont'd)

For the year ended 31 March 2010

	Trading in securities HK$'000	Investments HK$'000	Trading and sales of fur garments HK$'000	Trading of fur skins HK$'000	Mine HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	109,165	–	6,405	25,400	–	–	140,970
Inter-segment sales	–	–	3,669	4,052	–	–	7,721
Reportable segment revenue	109,165	–	10,074	29,452	–	–	148,691
Elimination of inter-segment sales							(7,721)
Consolidated revenue							140,970
Segment results	30,774	(1,083)	(13,113)	(9,691)	(264,721)	(88)	(257,922)
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)
Other segment information:							
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)

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

As at 31 March 2011

	Trading in securities HK$'000	Investments HK$'000	Trading and sales of fur garments HK$'000	Trading of fur skins HK$'000	Mine HK$'000	Others HK$'000	Consolidated HK$'000
Reportable segment assets	38,033	1,643	10,566	15,395	1,563,062	58,171	1,686,870
Elimination of inter-segment receivables							(75,184)
							1,611,686
Unallocated assets:							
Available-for-sale financial assets							7,800
Cash and cash equivalents							18,920
Tax recoverable							2,831
Convertible notes							398
Total assets per consolidated statement of financial position							1,641,635
Reportable segment liabilities	–	(7,389)	(33,419)	(27,027)	(8,391)	(4,570)	(80,796)
Elimination of inter-segment payables							75,184
							(5,612)
Unallocated liabilities:							
Convertible notes							(33,584)
Deferred tax liabilities							(388,016)
Tax payable							(676)
Total liabilities per consolidated statement of financial position							(427,888)
Additions to non-current segment assets during the year	–	–	158	2	1,533	–	1,693

7. SEGMENT INFORMATION (CONT'D)

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

As at 31 March 2010

	Trading in securities *HK$'000*	Investments *HK$'000*	Trading and sales of fur garments *HK$'000*	Trading of fur skins *HK$'000*	Mine *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Reportable segment assets	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
Total assets per consolidated statement of financial position							1,681,573
Reportable segment liabilities	–	(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)
Total liabilities per consolidated statement of financial position							(392,053)
Additions to non-current segment assets during the year	–	–	320	–	330	–	650

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:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**92,720**	112,796
Mainland China	**15,816**	25,401
Other countries	**907**	2,773
Total revenue	**109,443**	140,970

(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:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**757**	1,282
Mainland China	**1,563,024**	1,550,745
Other countries	**1,952**	3,319
	1,565,733	1,555,346

Information about major customers:

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

	2011	2010
	HK$'000	*HK$'000*
Customer A	**7,473**	11,790
Customer B	**7,448**	7,995
	14,921	19,785

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

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

	2011 HK$'000	2010 HK$'000
Turnover		
Sales of fur skins and fur garments	**23,878**	31,805
Proceeds from sales of listed financial assets at fair value through profit or loss	**85,565**	109,165
	109,443	140,970
Other income and net gains/(losses)		
Net (loss)/gain from equity securities:		
Dividend income from unlisted available-for-sale financial assets	**2,400**	1,186
Dividend income from listed financial assets at fair value through profit or loss	**705**	639
Unrealised (loss)/gain on investments in listed financial assets at fair value through profit or loss	**(16,388)**	11,687
	(13,283)	13,512
Others:		
Bank interest income	**4**	10
Other interest income	**1**	1
Fair value change on derivative components embedded in convertible notes	**(36,855)**	47,153
Others	**78**	95
	(36,772)	47,259
	(50,055)	60,771

9. FINANCE COSTS

	Group	
	2011 HK$'000	2010 HK$'000
Imputed interest expenses on convertible notes *(note 29)*	**2,478**	29,378

10. LOSS BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories and trading securities sold	**113,072**	131,438
Depreciation	**1,023**	964
Minimum lease payments under operating lease on land and buildings	**2,708**	3,547
Pension contributions	**181**	207
Auditors' remuneration		
– audit services	**415**	395
– other services	**120**	120
	535	515
Staff salaries, allowances and benefits in kind (excluding directors' remuneration)	**5,960**	6,389
Net provision for obsolete inventories (written back)/written off	**(4,266)**	11,781
Loss on disposal of property, plant and equipment	**4**	–
Exchange loss	**6**	1

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 2011 and 31 March 2010. 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.

	2011 HK$'000	2010 HK$'000
Tax represents income tax credit/(charge) as follows:		
Hong Kong profits tax		
– underprovision in respect of previous years	**(90)**	–
Deferred tax *(note 30)*		
– current year	**12,766**	65,654
	12,676	65,654

11. TAX (CONT'D)

A reconciliation of the loss before tax to the income tax credit at the effective tax rate is as follows:

	2011 HK$'000	%	2010 HK$'000	%
Loss before tax	**(134,820)**		(248,368)	
Tax credit at the statutory tax rate	**22,245**	**16.50**	40,981	16.50
Income not subject to tax	**597**	**0.44**	8,363	3.36
Expenses not deductible for tax	**(6,602)**	**(4.90)**	(6,680)	(2.70)
Unrecognised tax loss	**(8,352)**	**(6.19)**	(3,354)	(1.36)
Unrecognised temporary differences	**(82)**	**(0.06)**	(83)	–
Utilisation of tax loss not recognised in previous years	**–**	**–**	3,585	1.44
Underprovision of profits tax in previous years	**(90)**	**(0.07)**	–	–
Effect of different tax rates in other jurisdictions	**4,960**	**3.68**	22,842	9.19
Income tax credit at the Group's effective rate	**12,676**	**9.40**	65,654	26.43

Tax recoverable in the consolidated and Company statement of financial position represents the excess of the provisional profits tax paid over the estimated tax liabilities.

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 loss of HK$74,695,000 (2010: profit of HK$38,012,000) (note 32 (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 2011 (2010: 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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees	**1,610**	715
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	**630**	997
Retirement benefits contributions	**31**	15
	661	1,012
	2,271	1,727

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	*HK$'000*
Fok Ho Yin, Thomas	**120**	120
Tso Hon Sai, Bosco	**120**	120
Tsui Ching Hung	**120**	120
	360	360

There was no other emoluments payable to the independent non-executive directors during the year (2010: 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
2011				
Lee Yuk Lun	**120**	**390**	**12**	**522**
Kong Shan, David	**120**	**240**	**12**	**372**
Lam Kwan Sing (i)	**1,010**	**–**	**7**	**1,017**
	1,250	**630**	**31**	**1,911**
2010				
Lai Leong (ii)	115	589	7	711
Lee Yuk Lun	120	390	8	518
Kong Shan, David	120	18	–	138
	355	997	15	1,367

Note:

(i) Appointed on 1 August 2010.

(ii) Resigned on 15 March 2010.

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

	Number of directors 2011	2010
Nil – HK$1,000,000	**5**	6
HK$1,000,001 – HK$1,500,000	**1**	–
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.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two directors (2010: two directors), details of whose emoluments are disclosed above. The details of the remuneration of three (2010: three) remaining individuals, highest paid employees for the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,369	1,367
Retirement benefits contributions	23	36
	1,392	1,403

The emoluments fell within the following band:

	Number of individuals 2011	2010
Nil – HK$1,000,000	3	3

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 2011 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 during the year ended 31 March 2011.

Basic loss per share amount for the year ended 31 March 2010 was 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 during the year ended 31 March 2010 and had been adjusted as a result of the Company's share consolidation (note 31) as appropriate.

	2011	2010
Loss for the year attributable to equity shareholders of the Company *(HK$'000)*	(114,081)	(142,901)
Weighted average number of ordinary shares in issue *(thousands)*	1,386,228	656,408
Basic loss per share *(HK cents per share)*	(8.23) cents	(21.77) cents

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2011 and 31 March 2010 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 HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
Cost:					
At 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)
At 31.3.2010 and 1.4.2010	330	2,479	1,864	7,226	11,899
Exchange adjustment	15	–	–	48	63
Additions	–	42	48	643	733
Written off	–	–	–	(18)	(18)
At 31.3.2011	**345**	**2,521**	**1,912**	**7,899**	**12,677**
Accumulated depreciation:					
At 1.4.2009	15	1,244	2,750	5,295	9,304
Exchange adjustments	3	–	–	(6)	(3)
Charge during the year	16	417	2	529	964
Amount written back	–	(7)	(892)	(329)	(1,228)
At 31.3.2010 and 1.4.2010	34	1,654	1,860	5,489	9,037
Exchange adjustments	3	–	–	10	13
Charge during the year	17	418	5	583	1,023
Amount written back	–	–	–	(14)	(14)
At 31.3.2011	**54**	**2,072**	**1,865**	**6,068**	**10,059**
Net carrying amount					
At 31.3.2011	**291**	**449**	**47**	**1,831**	**2,618**
At 31.3.2010	296	825	4	1,737	2,862

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

(b) Company

	Office equipment HK$'000
Cost:	
At 1.4.2009, 31.3.2010 and 1.4.2010	22
Written off	(18)
At 31.3.2011	4
Accumulated depreciation:	
At 1.4.2009	8
Charge for the year	4
At 31.3.2010 and 1.4.2010	12
Charge for the year	4
Amount written back	(14)
At 31.3.2011	2
Net carrying amount	
At 31.3.2011	**2**
At 31.3.2010	10

The Group's buildings at 31 March 2011 and 31 March 2010 were held in The People's Republic of China (the "PRC") under medium-term leases.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**83,368**	83,368
Due from subsidiaries	**9,034**	2,149
Loans to subsidiaries	**1,198,511**	1,195,214
Loans from subsidiaries	**(4,834)**	(4,655)
Due to subsidiaries	**(92,479)**	(97,185)
	1,193,600	1,178,891

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 (2010: HK$2,040,000) and HK$2,880,000 (2010: HK$1,920,000) 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 2011 are as follows:

Name	Place of incorporation/ and operation*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Rising Group International Limited	The British Virgin Islands/Hong Kong	Ordinary US$4,000	100%	Investment holding
Indirectly held				
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 investment holding
Frede Derick Limited	Hong Kong	Ordinary HK$100	100%	Dormant
Rising Manufacturing Limited	Hong Kong	Ordinary HK$10,000	100%	Trading and sales 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

18. INTERESTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries at 31 March 2011 are as follows:

Name	Place of incorporation/ and operation*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (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 2011 are as follows:

Name	Place of incorporation/ and operation*	Paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (cont'd)				
Paris Fur (International) Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Paris Fur	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	
	2011	2010
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**7,800**	7,800

At the end of the reporting period, 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.

20. EXPLORATION AND EVALUATION ASSETS

		Group	
	Exploration rights	Evaluation expenditure	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April 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)
Balance at 31 March 2010 and 1 April 2010	1,541,430	8,463	1,549,893
Exchange adjustment	61,695	339	62,034
Additions during the year	–	960	960
Impairment loss	(51,063)	–	(51,063)
Balance at 31 March 2011	**1,552,062**	**9,762**	**1,561,824**

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 2011, 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 2011. Accordingly, an impairment loss of HK$51,063,000 (2010: HK$262,614,000) was recognised in consolidated income statement for the year ended 31 March 2011.

21. GOODWILL

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 April	**2,591**	3,891
Impairment loss	**(1,300)**	(1,300)
At 31 March	**1,291**	2,591

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:

	2011	2010
Gross profit margin	**63% to 65%**	63% to 65%
Growth rate	**8% to 9%**	9% to 10%
Discount rate	**3%**	3%

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 (2010: HK$1,300,000) is recognised in the consolidated income statement.

22. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**347**	831
Finished goods	**1,658**	4,240
	2,005	5,071

All of the inventories were stated at cost.

22. INVENTORIES (CONT'D)

The cost of inventories recognised in the consolidated income statement during the year amounted to HK$29,379,000 (2010: HK$48,813,000).

The analysis of the amount of inventories recognised as (income)/expense is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**33,645**	37,032
Write-down of inventories	**2,445**	11,845
Reversal of write-down of inventories	**(6,711)**	(64)
	29,379	48,813

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 end of the reporting period based on the invoice date is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**160**	4,548
31 days to 60 days	**240**	–
Over 60 days	**1,233**	1,131
	1,633	5,679

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 2011 and 31 March 2010, there were no impairment losses in respect of trade receivables.

23. TRADE RECEIVABLES (CONT'D)

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**160**	4,547
Less than 1 month past due	**240**	–
1 to 3 months past due	**679**	904
Over 3 months past due	**554**	228
	1,473	1,132
	1,633	5,679

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments, deposits, temporary payments and other receivables	**4,282**	4,813	**1,641**	1,652

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$126,000 (2010: HK$521,000) and HK$Nil (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at fair value	**38,033**	80,745

26. TIME DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits	**58**	58	**58**	58
Cash and bank balances	**18,862**	13,079	**544**	6,677
	18,920	13,137	**602**	6,735

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	
	2011	2010	**2011**	2010
Euro	**EUR 35,142**	EUR 101,292	**EUR 257**	EUR 257
United States dollars	**USD539,741**	USD47,024	**USD6,465**	USD2,665
Renminbi	**RMB656,666**	RMB618,695	**RMB -**	RMB -

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.

27. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**–**	226
31 days to 60 days	**–**	–
Over 60 days	**43**	74
	43	300

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due to an investee company	**2,491**	2,491	**–**	–
Others	**1,465**	1,735	**700**	453
	3,956	4,226	**700**	453

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	
	2011	2010	**2011**	2010
United States dollars	**USD320,000**	USD320,000	**–**	–
Euro	**EUR241,669**	EUR299,913	**–**	–
Renminbi	**RMB68,410**	RMB86,223	**–**	–

29. 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 31(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 amount 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 31(b) to the financial statements. Outstanding principal amounts of the convertible notes as at 31 March 2011 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 31(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 recognizing 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 the end of each reporting period. 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 2011 and 31 March 2010 by an independent firm of professionally qualified valuers, BMI Appraisals Limited.

29. CONVERTIBLE NOTES (CONT'D)

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

	Group and Company		
	Liability components	**Conversion option derivative components**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 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 *(note 31(b))*	(571,764)	123,134	(448,630)
Imputed interest charged *(note 9)*	29,378	–	29,378
Change in fair values	–	(47,153)	(47,153)
At 31 March 2010 and 1 April 2010	39,770	(45,917)	(6,147)
Imputed interest charged *(note 9)*	2,478	–	2,478
Change in fair values	–	36,855	36,855
At 31 March 2011	**42,248**	**(9,062)**	**33,186**

	Group and Company	
	2011	2010
	HK$'000	*HK$'000*
Representing for reporting purposes as:		
Non-current assets	**398**	6,147
Non-current liabilities	**(33,584)**	–
	(33,186)	6,147

30. DEFERRED TAX

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

	Group Fair value adjustments arising from exploration and evaluation assets *HK$'000*
At 1 April 2009	447,733
Exchange adjustment	3,278
Credited to consolidated income statement *(note 11)*	(65,654)
At 31 March 2010 and 1 April 2010	385,357
Exchange adjustment	15,425
Credited to consolidated income statement *(note 11)*	(12,766)
At 31 March 2011	**388,016**

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

	Group		Company	
	2011 ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*
Decelerated/(accelerated) depreciation allowances	**189**	111	**–**	(1)
Tax losses carried forward	**28,374**	28,656	**21,249**	15,300
	28,563	28,767	**21,249**	15,299

At 31 March 2011, the Group has unused tax losses of HK$167,329,000 (2010: HK$123,990,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of HK$167,329,000 (2010: HK$123,990,000) due to the unpredictability of future profit streams. The unrecognised tax losses of HK$158,328,000 (2010: HK$116,263,000) can be carried forward infinitively. The remaining HK$9,001,000 (2010: HK$7,727,000) expires in one to fifth years.

(c) At 31 March 2011, there was no significant unrecognised deferred tax liability (2010: 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.

31. SHARE CAPITAL

		Number of shares of HK$0.01 each		Number of shares of HK$0.02 each		Share capital	
		2011	2010	**2011**	2010	**2011**	2010
	Note	***'000***	*'000*	***'000***	*'000*	***HK$'000***	*HK$'000*
Authorised:							
Ordinary shares at beginning of year		**30,000,000**	–	**–**	15,000,000	**300,000**	300,000
Capital reorganisation							
– share subdivision	*(a)(iii)*	**–**	30,000,000	**–**	(15,000,000)	**–**	–
Ordinary shares at end of year		**30,000,000**	30,000,000	**–**	–	**300,000**	300,000
Issued and fully paid:							
Ordinary shares at beginning of year		**1,386,228**	–	**–**	3,636,340	**13,862**	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
Ordinary shares at end of year		**1,386,228**	1,386,228	**–**	–	**13,862**	13,862

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 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 29). As a result, there was an increase in share capital of HK$12,408,000 and share premium of HK$732,057,000 respectively.

31. 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 2011. No share option has been granted by the Company under the New Scheme during the years ended 31 March 2010 and 31 March 2011. The total number of shares available for issue under the New Scheme as at the date of these financial statements was 7,965,280 (on post-consolidation basis), representing 0.57% of the issued share capital of the Company as at the date of these financial statements.

32. 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	Contributed surplus	Convertible notes equity reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	188,467	83,168	25,807	123,849	421,291
Capital reorganization *(note 31)*					
– 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 – *note 12*	–	–	–	38,012	38,012
At 31 March 2010 and 1 April 2010	920,524	154,440	25,992	161,861	1,262,817
Loss for the year – *note 12*	–	–	–	(74,695)	(74,695)
At 31 March 2011	**920,524**	**154,440**	**25,992**	**87,166**	**1,188,122**

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.

33. OPERATING LEASE ARRANGEMENTS

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

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,653**	2,305
In the second to fifth years, inclusive	**483**	700
Over five years	**719**	757
	2,855	3,762

34. 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	
	2011	2010
	HK$'000	*HK$'000*
Short-term employee benefits	**3,150**	1,712
Post-employment benefits	**43**	15
	3,193	1,727

Further details of directors' emoluments are disclosed 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.

35. 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.

Due to the fact that the changes in interest rates would not have significant impact on the Group's and the Company's result and accordingly, the sensitivity analysis in respect of changes in interest rates is not presented.

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 31 March 2011, 73.87% (2010: 75.69%) and 73.87% (2010: 95.36%) of the total trade receivables was due from the Group's largest customer and the five largest customers in aggregate respectively within the trading and sales 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.

35. 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

	2011					
	On demand	**Less than 3 months**	**3 to 12 months**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**43**	**–**	**–**	**–**	**–**	**43**
Other payables and accruals	**3,956**	**–**	**–**	**–**	**–**	**3,956**
Convertible notes	**–**	**–**	**33,584**	**–**	**–**	**33,584**
	3,999	**–**	**33,584**	**–**	**–**	**37,583**

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

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

Liquidity risk (cont'd)

Company

	2011				
	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*	**Total** *HK$'000*
Amount due to a subsidiary	**2,880**	**–**	**–**	**–**	**2,880**
Other payables and accruals	**700**	**–**	**–**	**–**	**700**
Convertible notes	**–**	**–**	**33,584**	**–**	**33,584**
	3,580	**–**	**33,584**	**–**	**37,164**

	2010				
	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*	Total *HK$'000*
Amount due to a subsidiary	1,920	–	–	–	1,920
Other payables and accruals	453	–	–	–	453
	2,373	–	–	–	2,373

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 the end of each reporting period. Changes in fair value are recognised in profit or 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.

35. 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 securities price risks at the end of the reporting period.

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

Loss of the Group and the Company decrease/increase approximately by HK$1,902,000 (2010: HK$4,037,000) 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 end of the reporting period 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$453,000 (2010: HK$2,296,000), 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.

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.

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

Fair value (cont'd)

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period 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 2011			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Financial assets at fair value through profit or loss	**38,033**	**–**	**–**	**38,033**
Derivative financial instruments: – Conversion option derivative of convertible notes	**–**	**–**	**398**	**398**
	38,033	**–**	**398**	**38,431**
Liabilities				
Derivative financial instruments: – Conversion option derivative of convertible notes	**–**	**–**	**(33,584)**	**(33,584)**

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

Fair value (cont'd)

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

	Group and Company			
	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
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

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 2009	(756,278)
Change in fair value recognised in profit or loss	47,153
Imputed interest charged	(29,378)
Conversion into ordinary shares	744,650
At 31 March 2010 and 1 April 2010	6,147
Change in fair value recognised in profit or loss	(36,855)
Imputed interest charged	(2,478)
At 31 March 2011	**(33,186)**

(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 2011 and 31 March 2010.

36. 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 2011 and 31 March 2010.

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 end of the reporting period was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Total borrowings		
Convertible notes	**33,584**	–
Less: time deposits, cash and bank balances	**18,920**	13,137
Net debt	**14,664**	(13,137)
Total equity	**1,213,747**	1,289,520
Gearing ratio	**0.01**	Nil

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2011

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Financial assets				
Available-for-sale financial assets	–	–	7,800	7,800
Prepayments, deposits, temporary payments and other receivables	–	4,282	–	4,282
Trade receivables	–	1,633	–	1,633
Financial assets at fair value through profit or loss	38,033	–	–	38,033
Time deposits, cash and bank balances	–	18,920	–	18,920
Derivatives embedded in convertible notes	9,062	–	–	9,062
	47,095	24,835	7,800	79,730

	Financial liabilities at amortised cost *HK$'000*
Financial liabilities	
Trade payables	43
Customers' deposits	1,613
Other payables and accruals	3,956
Convertible notes	42,248
	47,860

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Group

2010

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Financial assets				
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
	126,662	23,629	7,800	158,091

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

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company

2011

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Financial assets			
Amounts due from subsidiaries	–	2,040	2,040
Prepayments, deposits and other receivables	–	1,641	1,641
Financial assets at fair value through profit or loss	38,033	–	38,033
Time deposits, cash and bank balances	–	603	603
Derivatives embedded in convertible notes	9,062	–	9,062
	47,095	4,284	51,379

	Financial liabilities at amortised cost *HK$'000*
Financial liabilities	
Amount due to a subsidiary	2,880
Other payables and accruals	700
Convertible notes	42,248
	45,828

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company

2010

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
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
	126,662	10,427	137,089

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

38. BANKING FACILITIES/BORROWINGS

At 31 March 2011 and 31 March 2010, the Group did not obtain any banking facilities and borrowings except for convertible notes, details of which are set out in note 29.

39. CONTINGENT LIABILITIES

At 31 March 2011 and 31 March 2010, the Group did not have any significant contingent liabilities.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 June 2011.

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

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**109,443**	140,970	173,611	215,806	359,576
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	**(132,342)**	(218,990)	83,197	(44,282)	70,866
Finance costs	**(2,478)**	(29,378)	(144,129)	(4,212)	(7,346)
Share of loss of an associate	**–**	–	–	(2)	(10)
(LOSS)/PROFIT BEFORE TAX	**(134,820)**	(248,368)	(60,932)	(48,496)	63,510
Tax	**12,676**	65,654	(6,112)	8,627	170
(LOSS)/PROFIT FOR THE YEAR	**(122,144)**	(182,714)	(67,044)	(39,869)	63,680
Attributable to:					
Equity shareholders of the Company	**(114,081)**	(142,901)	(66,679)	(39,869)	63,680
Non-controlling interests	**(8,063)**	(39,813)	(365)	–	–
	(122,144)	(182,714)	(67,044)	(39,869)	63,680

ASSETS AND LIABILITIES

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PROPERTY, PLANT AND EQUIPMENT	**2,618**	2,862	3,478	2,612	6,812
INVESTMENT PROPERTIES	**–**	–	–	60,250	30,380
PREPAID LAND LEASE PAYMENTS	**–**	–	–	–	881
INTEREST IN AN ASSOCIATE	**–**	–	–	18	20
AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER INVESTMENTS	**7,800**	7,800	7,800	32,927	251,642
EXPLORATION AND EVALUATION ASSETS	**1,561,824**	1,549,893	1,799,008	–	–
GOODWILL	**1,291**	2,591	3,891	–	–
DEFERRED TAX ASSETS	**–**	–	–	9,251	–
CONVERTIBLE NOTES	**398**	6,147	–	–	–
CURRENT ASSETS	**67,704**	112,280	115,823	385,030	157,343
TOTAL ASSETS	**1,641,635**	1,681,573	1,930,000	490,088	447,078
CURRENT LIABILITIES	**39,872**	6,696	8,556	20,882	116,764
NON-CURRENT LIABILITIES	**388,016**	385,357	1,204,011	7,267	2,963
TOTAL LIABILITIES	**427,888**	392,053	1,212,567	28,149	119,727
NET ASSETS	**1,213,747**	1,289,520	717,433	461,939	327,351