



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
2013

Contents

Corporate Information	2
Chairman's Statement	3
Biographies of Directors	5
Management Discussion and Analysis	8
Corporate Governance Report	13
Report of the Directors	28
Independent Auditor's Report	33
Audited Financial Statements	
Consolidated Income Statement	35
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Financial Position	37
Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	42
Notes to Financial Statements	44
Five Year Financial Summary	100

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lee Yuk Lun, *JP* (*Chairman & Chief Executive Officer*)
Mr. Kong Shan, David
Mr. Lam Kwan Sing
Mr. Wong Nga Leung
Mr. Hon Ming Sang (re-designated from Independent Non-Executive Director to Executive Director on 31 December 2012)

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Tsui Ching Hung
Ms. Cheung Oi Man, Amelia
(appointed on 31 December 2012)

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)
Mr. Tsui Ching Hung
Ms. Cheung Oi Man, Amelia
(appointed on 31 December 2012)

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)
Mr. Tsui Ching Hung
Ms. Cheung Oi Man, Amelia
(appointed on 31 December 2012)

NOMINATION COMMITTEE

Dr. Lee Yuk Lun, *JP* (*Chairman*)
Mr. Fok Ho Yin, Thomas
Mr. Tsui Ching Hung
Ms. Cheung Oi Man, Amelia
(appointed on 31 December 2012)

AUTHORISED REPRESENTATIVES

Dr. Lee Yuk Lun, *JP*
Mr. Hon Ming Sang

COMPANY SECRETARY

Mr. Hon Ming Sang

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

HSBC
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Wing Hang Bank, Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

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 2013.

RESULTS OF THE GROUP

During the year under review, the Group recorded a turnover of HK\$80,721,000 (2012: HK\$105,026,000), representing a decrease of 23.1% as compared to that of last year. The decrease in turnover was mainly due to the loss in the business of trading in securities. The net loss attribute to equity shareholders of the Company for the current year amounted to HK\$214,500,000 as compared to a net loss of HK\$184,470,000 last year, resulting in a basic loss per share this year of HK15.47 cents (2012: basic loss per share of HK13.31 cents). The loss were mainly due to the unrealised loss on investments in listed financial assets at fair value through profit or loss, fair value change on derivative components embedded in convertible notes and the impairment loss of the mining business. The impairment loss of mining business required current market valuation to be made each year on the mining right with respect to the vanadium mine. The valuation was conducted by an independent valuer, which amount to RMB872,000,000 (equivalent to HK\$1,089,128,000) as at 31 March 2013 as compared to its carrying amount of RMB1,069,000,000 (equivalent to HK\$1,318,611,000) as at 31 March 2012, resulting in a loss after tax of HK\$147,632,000 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\$73,923,000, representing a decrease of 23.2% compared with the corresponding period last year of HK\$96,374,000. Loss of HK\$11,660,000 was recorded from this sector during the year as compared with the corresponding period last year of profit HK\$5,909,000.

FUR BUSINESS

Trading of fur skins

Continued high auction prices which in turn means much higher stock risks for the Group's own stocking needs and our customers. This year's skin trading turnover was HK\$7,000, representing a decrease of 85.1% compared with the corresponding period last year of HK\$47,000. Loss of HK\$544,000 was recorded from this sector during the year as compared with the corresponding period last year of profit HK\$98,000. The loss was mainly due to increase in administrative expenses.

Trading and sales of fur garments

The turnover of sales of fur garments during the year was HK\$6,791,000, representing a decrease of 21% compared with the corresponding period last year of HK\$8,605,000. A loss of HK\$10,814,000 was recorded from sales of fur garment, representing an increase of 47% during the year as compared with the corresponding period last year of loss HK\$7,349,000. The loss was mainly due to increase in administrative expenses.

MINE BUSINESS

During the year under review, the mining business of the Group has not yet contributed any operational turnover as a result of slow down of mining processes due to weak market price of vanadium.

Chairman's Statement

FINAL DIVIDEND

Since tough challenges and uncertainties are expected globally including PRC and Hong Kong in the forthcoming financial year 2014, and also the Group has not recorded a profit during the year, the Board does not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

ACKNOWLEDGEMENT

The management is trying its best and measures to cope with the more challenging and difficult environments ahead in 2014. The management aims to resume the Group back to profit situation as its main task. I would like to take this opportunity to express my sincere thanks to all our shareholders, investors, bankers, business associates and customers for their supports to the Group and to all our directors, senior management and staff for the contributions in 2013 and looking forward the same would extend to the Group in 2014.

Dr. Lee Yuk Lun, JP

Chairman

Hong Kong, 21 June 2013

EXECUTIVE DIRECTORS

Dr. Lee Yuk Lun, JP, aged 50, was appointed as an executive Director and deputy chairman of the Company on 31 August 2007. Dr. Lee was appointed as the Chief Executive Officer and the Chairman of the Company on 15 March 2010. He is also the chairman of the Nomination Committee of the Company and a director of certain subsidiaries of the Company. Dr. Lee has been engaged in the finance industry for about 18 years and, in particular, in the area of mergers and acquisitions. He also possesses more than 14 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 Vice Chairman of Tung Wah Group of Hospitals (東華三院), a Campaign Committee Member of The Community Chest (公益金), the Founding Chairman of Wanchai and Central & Western District Industries & Commerce Association and the Founding Chairman of Phoenix Charitable Foundation. He is also the Chairman of Pico Zeman Asset Management Limited and Volk Favor Food Company Limited. Dr. Lee was appointed as a Justice of the Peace by Chief Executive of the HKSAR on 30 June 2012. He is currently a Vice Chairman and Executive Director of CNC Holdings Limited (a company listed on the growth enterprise market of the Hong Kong Stock Exchange, stock code: 8356) on 22 June 2012.

Save as disclosed above, Dr. Lee has not held any directorship in other listed companies during the last three years. Dr. Lee does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Mr. Kong Shan, David, aged 59, was appointed as an executive Director on 31 August 2007. He 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 24 years of experience in property development and investment and corporate management in Mainland China.

Save as disclosed above, Mr. Kong has not held any directorship in other listed companies during the last three years. Mr. Kong does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Mr. Lam Kwan Sing, aged 43, was appointed as an executive Director on 1 August 2010. He is also a director of certain subsidiaries of the Company. Mr. Lam graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 16 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 is currently also an executive director and Chief Executive Officer of Enterprise Development Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 1808) and an independent non-executive director of Hao Tian Resources Group Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 474). He 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.

Save as disclosed above, Mr. Lam has not held any directorship in other listed companies during the last three years. Mr. Lam does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Biographies of Directors

Mr. Wong Nga Leung, aged 35, was appointed as an executive Director on 26 October 2011. Mr. Wong graduated from the University of New South Wales, Sydney with a Master of Commerce and Bachelor of Commerce. Mr. Wong has extensive experience in the private equity, commercial and corporate finance field. He is also a Chartered Financial Analyst. Before joining our Company, Mr. Wong worked in various international investment banks.

Save as disclosed above, Mr. Wong has not held any directorship in other listed companies during the last three years. Mr. Wong does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Mr. Hon Ming Sang, aged 34, was appointed as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 3 August 2012 after the conclusion of the annual general meeting 2012 and re-designated from independent non-executive Director to an executive Director and the Company Secretary of the Company on 31 December 2012. Mr. Hon graduated with an honor degree of Professional Accountancy in the School of Accountancy from the Chinese University of Hong Kong. He is a CFA charter, a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Hon has previously worked in an international audit firm and has several years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services. Mr. Hon is currently an executive director, financial controller and qualified accountant of Carnival Group International Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 996).

Save as disclosed above, Mr. Hon has not held any directorship in other listed companies during the last three years. Mr. Hon does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas, aged 42, was appointed as an independent non-executive director on 31 August 2007. He is also the chairman of both the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Fok had worked in the Listing Division of the Hong Kong Stock Exchange and has over 17 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).

Save as disclosed above, Mr. Fok has not held any directorship in other listed companies during the last three years. Mr. Fok does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Biographies of Directors

Mr. Tsui Ching Hung, aged 60, was appointed as an independent non-executive director on 31 August 2007. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. 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). Mr. Tsui was an non-executive director of G-Resources Group Limited (a company listed on the main board of Hong Kong Stock Exchange, stock code: 1051) from July 2009 to December 2012.

Save as disclosed above, Mr. Tsui has not held any directorship in other listed companies during the last three years. Mr. Tsui does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Ms. Cheung Oi Man, Amelia, aged 60, was appointed as an independent non-executive Director on 31 December 2012. She is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Ms. Cheung qualified as a solicitor in 1976 and has been in private practice in Hong Kong for about 30 years. She holds a Master of Laws degree (specializing in economic law) from Peking University, PRC. She is also a China-Appointed Attesting Officer and an accredited mediator. She has substantial experience in corporate and financial matters. Ms. Cheung is currently the principal of Messrs. Amelia Cheung & Co., Solicitors.

Save as disclosed above, Ms. Cheung has not held any directorship in other listed companies during the last three years. Ms. Cheung does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover by Business Segments

Ratio analysis by business segments for the Group's turnover for the year ended 31 March 2013 is as follows:

- Trading in securities: approximately HK\$73,923,000, 91.6% of turnover (2012: HK\$96,374,000, 91.7%)
- Trading of fur skins: approximately HK\$7,000, 0% of turnover (2012: HK\$47,000, 0.1%)
- Trading and sales of fur garments: approximately HK\$6,791,000, 8.4% of turnover (2012: HK\$8,605,000, 8.2%)

Turnover by Geographical Region

Ratio analysis by geographical region for the Group's turnover for the year ended 31 March 2013 is as follows:

- Mainland China and Hong Kong: approximately HK\$80,588,000, 99.8% of turnover (2012: HK\$104,519,000, 99.5%)
- Other regions: approximately HK\$133,000, 0.2% of turnover (2012: HK\$507,000, 0.5%)

PROSPECT

Investment Business

European debt crisis and weak consumption in Western countries, slow down of economic growth in China, uncertain economy recovery in US, all these mixed elements together indicating definitely unforeseeable challenges ahead in the forthcoming year. Moreover, political instabilities nearby in the Northern Asia, disputes on sovereignty claims on Diaoyu Islands in the East China Sea, Huangyan Island and the Paracels in the South China Sea, that are results of the rebalancing strategy of US in Asia which aim for the move to contain China. All of these could cause shaky and uncertainty for worldwide that inevitably affects the economy of Hong Kong. Currency war and rise of protectionism are another area of risk which could harm and affect international trade and local employment of each country and will be prevailing in the near future jeopardizing the global economy. On the other hand we hope US, European Union and Japan will keep on implementing their loose monetary policy so as to minimize all the above-mentioned negative economic impacts. Slow consumption and global economic growth is expecting in the coming 2013. The Group would keep on maintain its cautious and challenging attitude and measures in managing the investment strategy for the negative worldwide market ahead.

Fur Business

Trading of fur skins

The Group has not yet resumed the fur skin trading as the auction prices have remained at a high level, customers from China are still cautious about the tighter import control imposed by the Chinese authorities. Some local market participants in the fur trading industry were involved in tax problems in the PRC. This has affected our fur skin trading as most of our clients are PRC originated.

Management Discussion and Analysis

Trading and sales of fur garments

Sales of our fur garment business were weak in Europe as a result of the European debt crisis. After review, we are in the process of considering the possibility of scale down the operation in this market in order to avoid further losses from this geographic segment. Sales of fur garments in Hong Kong and PRC dropped slightly last year as a result of weaker consumption in China after recording a slower GDP growth. In 2013 the Group will continue its strategy to launch its own designer's collection labels of LECOTHIA and FREDE DERICK and expand in the PRC where we consider there will be room for the expansion of our fur garment sales under our business mode by increasing more partnerships. This expansion consideration is a natural extension of our business plan after gaining years of experience with local shopping outlets in China. We hope this expansion plan will be a profit enhancing in this sector of business and overall the management is expecting a moderate growth in sales of fur garments in the coming fiscal year.

Mining Business

Due to weak consumption worldwide, exports of vanadium are facing weak global demand, the price of vanadium still remains at low level, this time the price drop in metals is not solely in consumable metals such as copper and iron, also covers those precious metals including gold and silver. All metal prices dropped significantly as a result that most developing countries especially European countries are predicting a low and even negative GDP growth in the coming fiscal year due to tight budget imposed by many European countries. The vanadium demand in China is also suppressed by tight lending control exercised by Chinese government on property sector which aims to reduce the property bubble. As mentioned previously by the Group that are based on commercial consideration, the Group would slow down the mining pace and keep on focusing on the related ground and preparation works for initial mining, waiting for the recovery of the vanadium market. At the same time the management would be cautious and exercise due control on the expenses in the Group's mining business in order to control the costs.

The current status of the refinery is now in stay-ready status and prepares for opportunities when the selling price of the commodity recovers.

In order to provide with the Company an updated professional view on the current status of the mine, the Company has engaged an independent profession engineering company ("Engineer") to carry out technical and economic review for our Vanadium mine. As the conclusions by the Engineer that both the operation cost and capital cost of the project are high when compared to the current price of V₂O₅. As a result of the fact that the project experienced a substantial decrease in the price of V₂O₅ after acquisition and the current market price of V₂O₅ is about the same as the total operating cost, Engineer considers the project uneconomical at present. The Engineer concurred with the view that the Company to postpone the development plan until the market of V₂O₅ recovers. Therefore, the existing development plan of the mine will postpone until the market of V₂O₅ recovers.

The major difference between the existing development plan and the original production plan was postpone of the mine development until the market of V₂O₅ recovers because there was unexpected substantial decrease in the price of V₂O₅ after acquisition of the project.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow from banks in Hong Kong and PRC. As at 31 March 2013, the Group had cash and bank balances of approximately HK\$22,736,000 (2012: HK\$32,942,000). As at 31 March 2013, the Group's interest bearing borrowings (including margin loan payable and convertibles notes) amounted to approximately HK\$78,707,000 (2012: HK\$37,792,000). Shareholders' funds amounted to approximately HK\$833,129,000 (2012: HK\$1,071,926,000). Accordingly, the gearing ratio (as calculated in note 38 to the financial statements) was 6.7% (2012: 0.4%).

Management Discussion and Analysis

CAPITAL STRUCTURE

- 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 Shaanxi 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 a 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 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. Outstanding principal amount of the convertible notes as at 31 March 2012 was HK\$465,000. On 22 June 2012, the Company redeemed and repaid the convertible notes with the outstanding amount of HK\$465,000 in full.

- 2) On 12 October 2011, the Company issued convertible notes with a nominal value of HK\$100,000,000. The convertible notes bear interest at 5% per annum with maturity date on 11 October 2014. The holders of the convertible notes have the right to convert on any business date at any time following 12 October 2011 until the date falling 7 days before (and excluding) 11 October 2014, into ordinary share of the Company at an initial conversion price of HK\$1.00 per share (subject to adjustment). 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. The effective interest rate of the liability component is 19.55% 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 2013 and 31 March 2012 by an independent firm of professionally qualified valuers, BMI Appraisals Limited.

Management Discussion and Analysis

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Euro	77	95
United States dollars	261	820
Danish Krone	27	28
Renminbi	1,473	214

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Borrowings		
Margin loan payable	14,921	–
Convertible notes	63,786	37,792
Total borrowings	78,707	37,792
Less: time deposits, cash and bank balances	(22,736)	(32,942)
Net debt	55,971	4,850
Total equity	833,129	1,071,926
Gearing ratio	6.7%	0.4%

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

Details in the changes of the capital structure of the Group held as at 31 March 2013 are set out in notes 28, 30, 32 and 38 to the financial statements.

Management Discussion and Analysis

CHARGES ON ASSETS

At 31 March 2013 and 31 March 2012, the Group did not obtain any banking facilities and borrowings except for margin loan payable and convertible notes, details of which are set out in note 28 and 30 respectively to the financial statements.

At 31 March 2013, the Group and the Company have pledged certain financial assets at fair value through profit or loss held under the margin account to secure the margin loan payable (2012: Nil).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

There were no acquisition and disposal of subsidiaries and associates during the year ended 31 March 2013.

Details of significant investments in subsidiaries held by the Group as at 31 March 2013 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 2013, the Group employed around 47 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 Company and the Group had no contingent liabilities as at 31 March 2013.

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 has adopted the code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 January 2005 and was revised and renamed as the Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012.

The Board considers that during the year ended 31 March 2013, the Company has applied the principles and complied with the code provisions set out in the Former CG Code and the New CG Code, except for the code provisions A.2.1, A.4.1, A.4.2, A.6.7 and E.1.2. of the New CG Code. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A THE BOARD

A1. Responsibilities and Delegation

Leadership, control and management of the Company are vested in the Board. The Board oversees the Group's business, strategic decision and performances to further the healthy growth and effective functioning of the Company with a view to enhancing value to investors. 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 on 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.

Corporate Governance Report

A2. Board Composition

The Composition of the Board as at 31 March 2013 is as follows:

Executive Directors:

Dr. Lee Yuk Lun, JP *(Chairman of the Board and of the Nomination Committee and Chief Executive Officer)*

Mr. Kong Shan, David

Mr. Lam Kwan Sing

Mr. Wong Nga Leung

Mr. Hon Ming Sang *(Note 1)*

Independent Non-Executive Directors:

Mr. Fok Ho Yin, Thomas *(Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee)*

Mr. Tsui Ching Hung *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

Ms. Cheung Oi Man, Amelia *(Note 2)* *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

Note:

1. On 3 August 2012 after the conclusion of the 2012 annual general meeting ("2012 AGM"), Mr. Hon Ming Sang was appointed as an independent non-executive Director. He is also a member of the audit committee, the remuneration committee and the nomination committee. On 31 December 2012, Mr. Hon has been re-designated from independent non-executive Director to an executive Director and the Company Secretary of the Company.
2. On 31 December 2012, Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director. She is also a member of the audit committee, the remuneration committee and the nomination committee.

The list of directors (by category) 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.

On 31 July 2012, Mr. Lam Kwan Sing's services contract automatically expired and he has entered a formal letter of appointment with the Company on 1 August 2012 with no fixed terms of employment. Mr. Lam is entitled to a monthly director's remuneration in the sum of HK\$120,000.00 which is determined with reference to his duties, responsibilities and the prevailing market conditions. He is subject to retirement by rotation and the re-election provisions pursuant to the bye-laws of the Company (the "Bye-Laws"). Save as disclosed above, there is no service contract between the Company and other Directors.

On 3 August 2012, Mr. Tso Hon Sai, Bosco was retired as an independent non-executive Director of the Company at the 2012 AGM. Upon his retirement, Mr. Tso has also ceased to be a member of the Audit Committee, the Remuneration Committee and Nomination Committee of the Company.

On 3 August 2012 after the conclusion of the 2012 AGM, Mr. Hon Ming Sang was appointed as an independent non-executive Director of the Company. He is also a member of the Audit Committee, the Remuneration Committee and Nomination Committee of the Company.

Corporate Governance Report

On 31 December 2012, Mr. Hon Ming Sang was re-designated from an independent non-executive Director to executive Director and the Company Secretary of the Company. Upon his re-designation, Mr. Hon has also ceased to be a member of the Audit Committee, the Remuneration Committee and Nomination Committee of the Company.

On 31 December 2012, Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director of the Company. She is also a member of the Audit Committee, the Remuneration Committee and Nomination Committee of the Company.

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 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/or 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 "Biographies of Directors" on pages 5 to 7 of this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her 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 New 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 New CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in Dr. Lee Yuk Lun, *JP* 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.

Corporate Governance Report

A4. Appointment and Re-election of Directors

The code provision A.4.1 of the New CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. During the year ended 31 March 2013, all 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 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 New 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 New 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. Lam Kwan Sing, Mr. Hon Ming Sang and Ms. Cheung Oi Man, Amelia shall retire by rotation at the forthcoming 2013 annual general meeting (the "2013 AGM") and, being eligible, will offer themselves for re-election. The Board recommended the re-appointment of these three retiring directors standing for re-election at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of Mr. Lam Kwan Sing, Mr. Hon Ming Sang and Ms. Cheung Oi Man, Amelia pursuant to the requirements of the Listing Rules.

During the year ended 31 March 2013, 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 appointment and succession planning of directors and assessing the independence of independent non-executive directors. To comply with the new code provision of the revised Corporate Governance Code which requires a listed issuer to establish a nomination committee by 1 April 2012, the Board approved the setting up of its Nomination Committee on 14 March 2012.

The Company has adopted "Directors' Nomination Procedures" as a written guideline in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Besides, the procedures and process of appointment, re-election and removal of directors 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.

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 refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

A5.1 Directors' Training

According to the code provision A.6.5 of the New CG Code, all directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 March 2013 to the Company. In addition to their own participation in professional training, relevant training was provided to the Directors by the Company in the financial year ended 31 March 2013.

A5.2 Directors' and Officers Liabilities Insurance

According to the code provision A.1.8 of the New CG Code, The Company has arranged appropriate insurance coverage for directors' and officers' liabilities incurred by them in discharge of their duties while holding office as the directors and officers of the Company.

A6. Board Meetings

A6.1 Board Practices and Conduct of Meetings

The Board is expected to meet regularly at least four times a year. 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 provide them with materials relating to the transactions to be discussed in the meeting in order 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.

Corporate Governance Report

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.

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. 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.

A6.2 Directors' Attendance Records

Board Meetings

During the year ended 31 March 2013, the Board has held a total of 7 Board meetings for the main purposes of reviewing and considering the financial and operating performance, business development and prospects of the Group.

The attendance records of each director at these 7 Board meetings are set out below:

<u>Name of Director</u>	<u>Attendance/Number of Board Meetings</u>
Executive Directors	
Dr. Lee Yuk Lun, JP	7/7
Mr. Kong Shan, David	6/7
Mr. Lam Kwan Sing	6/7
Mr. Wong Nga Leung	6/7
Mr. Hon Ming Sang (Note 1)	5/5
Independent Non-Executive Directors	
Mr. Fok Ho Yin, Thomas	7/7
Mr. Tsui Ching Hung	7/7
Ms. Cheung Oi Man, Amelia (Note 2)	1/1
Mr. Tso Hon Sai, Bosco (Note 3)	2/3

Note:

1. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012, and 5 Board meeting were held after his appointment.
2. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012, and 1 Board meeting was held after her appointment.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the 2012 AGM, and 3 Board meeting were held before his retirement.

Corporate Governance Report

General Meeting

During the year ended 31 March 2013, one general meeting of the Company was held, being 2012 AGM held on 3 August 2012.

<u>Name of Director</u>	<u>Attendance/Number of Board Meetings</u>
Executive directors	
Dr. Lee Yuk Lun, JP	0/1
Mr. Kong Shan, David	1/1
Mr. Lam Kwan Sing	1/1
Mr. Wong Nga Leung	1/1
Mr. Hon Ming Sang (Note 1)	N/A
Independent non-executive directors	
Mr. Fok Ho Yin, Thomas	1/1
Mr. Tsui Ching Hung	0/1
Ms. Cheung Oi Man, Amelia (Note 2)	N/A
Mr. Tso Hon Sai, Bosco (Note 3)	0/1

Note:

1. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012, no general meeting was held after his appointment.
2. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012, no general meeting was held after her appointment.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the 2012 AGM, and 1 general meeting was held before his retirement.

A7. 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 own code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all the Company's Directors, they confirmed that they have complied with the Model Code throughout the year ended 31 March 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside 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.

Corporate Governance Report

A8. Corporate Governance Functions

The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

B BOARD COMMITTEE

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and Nomination Committee, for overseeing particular aspects of the affairs of the Group. During the year, the Nomination Committee was established in 14 March 2012. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.hkrising.com" and on The Stock Exchange of Hong Kong Limited ("Stock Exchange")'s website "www.hkexnews.hk" 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 three Board committees for the year ended 31 March 2013 are detailed below.

B1. Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia. The chairman of the Remuneration Committee is Mr. Fok Ho Yin, Thomas. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the New CG Code.

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.

Corporate Governance Report

During the year ended 31 March 2013, the Remuneration Committee has met once with all the committee members present at the meeting. The members in that meeting have reviewed and discussed the remuneration packages of the Directors and senior management of the Group.

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

Name of Remuneration Committee Member	Attendance/Number of Board Meetings
Mr. Fok Ho Yin, Thomas (<i>Chairman</i>)	1/1
Mr. Tsui Ching Hung	1/1
Ms. Cheung Oi Man, Amelia (<i>Note 1</i>)	N/A
Mr. Hon Ming Sang (<i>Note 2</i>)	N/A
Mr. Tso Hoi Sai, Bosco (<i>Note 3</i>)	1/1

Note:

1. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012, no board meeting was held after her appointment.
2. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012, no board meeting was held after his appointment.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the 2012 AGM, and 1 board meeting was held before his retirement.

Details of the remuneration of each Directors of the Company for the year ended 31 March 2013 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. Tsui Ching Hung, and Ms. Cheung Oi man, Amelia, 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 terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the New CG Code.

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.

Corporate Governance Report

During the year ended 31 March 2013, 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 report for the year ended 31 March 2012, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor; and
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 September 2012, the related accounting principles and practices adopted by the Group.

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 (<i>Chairman</i>)	2/2
Mr. Tsui Ching Hung	2/2
Ms. Cheung Oi Man, Amelia (<i>Note 1</i>)	N/A
Mr. Hon Ming Sang (<i>Note 2</i>)	1/1
Mr. Tso Hoi Sai, Bosco (<i>Note 3</i>)	1/1

Note:

1. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012, no board meeting was held after her appointment.
2. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012, and 1 board meeting was held before his re-designation.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the 2012 AGM, and 1 board meeting was held before his retirement.

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

B3. Nomination Committee

The Company established a Nomination Committee on 14 March 2012 with written terms of reference as disclosed on the Company's website. The Nomination Committee comprises one executive Director, namely Dr. Lee Yuk Lun, JP, and three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia. The chairman of the Nomination Committee is Dr. Lee Yuk Lun, JP. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the New CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Groups Strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

During the year ended 31 March 2013, the Nomination Committee has met twice with all the committee members present at the meeting and performed the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skill 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 Company's annual general meeting;
- Assessment of the independence of all the Company's independent non-executive Directors;
- Considering the appointment of Mr. Hon Ming Sang as an independent non-executive Director;
- Considering the appointment of Ms. Cheung Oi Man, Amelia as an independent non-executive Director;
- Considering the re-designation of Mr. Hon Ming Sang from independent non-executive Director to executive Director.

Corporate Governance Report

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

<u>Name of Nomination Committee Member</u>	<u>Attendance/Number of Board Meetings</u>
Dr. Lee Yuk Lun, JP (Chairman)	2/2
Mr. For Ho Yin, Thomas	2/2
Mr. Tsui Ching Hung	2/2
Ms. Cheung Oi Man, Amelia (Note 1)	N/A
Mr. Hon Ming Sang (Note 2)	2/2
Mr. Tso Hoi Sai, Bosco (Note 3)	0/1

Note:

1. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012, no board meeting was held after her appointment.
2. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012, and 2 board meetings were held before his re-designation.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the annual general meeting of the Company, and 1 board meeting was held before his retirement.

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 2013.

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 to safeguard the interests of the Company's shareholders and the Group's assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system as 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 2013. 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.

Corporate Governance Report

E. COMPANY SECRETARY

Mr. Chiang Chi Kin, Stephen has tendered his resignation as the Company Secretary of the Company with effect from 31 December 2012 and Mr. Hon Ming Sang was appointed as the Company Secretary of the Company with effect from 31 December 2012.

Mr. Hon Ming Sang and Mr. Chiang Chi Kin, Stephen, plays the role in supporting the Board by ensuring good information flow within the Board, as well as communications with Shareholders and management and fulfill the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Hon Ming Sang are set out in the section headed "Biographies of Directors" of this annual report.

Mr. Lam Kwan Sing, an executive Director of the Company, is the primary point of contact at the Company for the Company Secretary.

During the year ended 31 March 2013, Mr. Hong Ming Sang and Mr. Chiang Chi Kin, Stephen has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

F. 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 2013 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 2013 are analyzed below:

Type of services provided by the external auditor	Fees paid/ payable HK\$'000
Audit services – audit fee for the year ended 31 March 2013	460
Non-audit services	100
Total	560

Corporate Governance Report

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision. 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 Company maintains a website at "www.hkrising.com" as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of Company Secretary of the Company, as follows:

Address: Rooms 2004-5, 20/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.
Tel: (852) 3101 2121
Fax: (852) 2344 9392
Email: info@hkrising.com

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Code provision E.1.2 of the New CG Code stipulates that the Chairman of a listed issuer should attend the issuer's annual general meeting. Dr. Lee Yuk Lun, JP, the Chairman of the Board, was unable to attend the Company's 2012 AGM as he had another important business engagement. Despite his absence, he had arranged for Mr. Kong Shan, David, the Company's executive director who is well versed in all the business activities and operations of the Group, to attend and chair the meeting and communicate with the shareholders. Mr. Lam Kwan Sing, Mr. Wong Nga Leung and Mr. Fok Ho Yin, Thomas also attended the 2012 AGM to give shareholders an opportunity of having a direct dialogue with the Board members.

Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Mr. Tsui Ching Hung and Mr. Tso Hoi Sai, Bosco were unable to attend the 2012 AGM due to their other business engagement.

H. SHAREHOLDERS' RIGHTS

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. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings as follows:

- (1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company at the date of deposit of the requisition may request the Board to convene a special general meeting pursuant to clause 58 of the Bye-Laws by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.
- (2) Shareholder(s) representing not less than one-twentieth of the total voting rights of the Company at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda, by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting).
- (3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

The procedures shareholders can use to convene a special general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the website of the Company.

During the year under review, the Company has not made any changes to the Bye-Laws. An up-to-date version of the Bye-Laws is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Bye-Laws for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings 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 the Company "www.hkrising.com" after each shareholder's meeting.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal 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 2013 is set out in note 7 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 99.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the last five financial years is set out on page 100 of this annual report.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$500,000 (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE NOTES

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

SHARE CAPITAL

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

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.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$217,819,000 as computed in accordance with the Companies Act of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$920,524,000 as at 31 March 2013, may be distributed in the form of fully paid bonus shares.

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 2013.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 53.39% of the total sales of fur skins and fur garments for the year and sales to the largest customer included therein amounted to 38.54%.

Purchases from the Group's five largest suppliers in aggregate accounted for 40.58% of the total purchases of fur skins and fur garments for the year and purchases from the largest supplier included therein amounted to 21.26%.

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 ended 31 March 2013 and up to the date of this report were:

Executive Directors

Dr. Lee Yuk Lun, JP (*Chairman & Chief Executive Officer*)

Mr. Kong Shan, David

Mr. Lam Kwan Sing

Mr. Wong Nga Leung

Mr. Hon Ming Sang (*Note 1*) (re-designated on 31 December 2012)

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas

Mr. Tsui Ching Hung

Ms. Cheung Oi Man, Amelia (*Note 2*) (appointed on 31 December 2012)

Mr. Tso Hon Sai, Bosco (*Note 3*) (retired on 3 August 2012)

Note:

1. Mr. Hon Ming Sang was appointed as an independent non-executive Director with effect from 3 August 2012 after the conclusion of the 2012 AGM. He was re-designated from independent non-executive Director to executive Director and the Company Secretary of the Company with effect from 31 December 2012.
2. Ms. Cheung Oi Man, Amelia was appointed as an independent non-executive Director with effect from 31 December 2012.
3. Mr. Tso Hon Sai, Bosco retired as an independent non-executive Director with effect from 3 August 2012 at the 2012 AGM.

In accordance with clause 111 of the Company's Bye-Laws, Mr. Lam Kwan Sing, Mr. Hon Ming Sang and Ms. Cheung Oi Man, Amelia will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

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.

Report of the Directors

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 ended 31 March 2013.

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.

SHARE OPTION SCHEME

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 31 March 2013, the following director of the Company had an interest set out below in the shares of the Company which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which he was deemed or taken to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was required pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

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

Name of Director	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Lai Leong (<i>Note 1</i>)	Interest held by Controlled Corporation (<i>Note 2</i>)	810,757,600	58.49%

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. Oriental Day International Limited charged 734,155,000 shares in the listed corporation as security for a loan. Please refer to the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" for further details.

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

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

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

Save as disclosed above, as at 31 March 2013, 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 2013.

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

As at 31 March 2013, 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	810,757,600 (Note 1)	58.49%
Oriental Day International Limited	Beneficial owner	810,757,600	58.49%
Central Huijin Investment Ltd (Note 2)	Corporate interests	734,155,000 (Note 3)	52.96%
China Construction Bank Corporation (Note 2)	Corporate interests	734,155,000 (Note 3)	52.96%

Notes:

- These shares owned by Oriental Day International Limited, which was 100% beneficially owned by Mr. Lai Leong. Such interest was also disclosed as the interest of Mr. Lai Leong in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".
- China Construction Bank Corporation ("CC Bank") was beneficially 57.22% owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in those shares which CC Bank was interested.
- Oriental Day International Limited charged 734,155,000 shares in the listed corporation as security for a loan.

Report of the Directors

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 ended 31 March 2013, the Group had no connected transactions as defined under 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 2013.

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.

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 "www.hkexnews.hk" under the "Listed Company Information" and our Company's website at "www.hkrising.com". Printed copies in both languages are posted to shareholders.

ANNUAL GENERAL MEETING

The 2013 annual general meeting of the Company will be held on 2 August 2013. 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, JP
Chairman

Hong Kong, 21 June 2013

Independent Auditor's Report



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 35 to 99, which comprise the consolidated and Company statements of financial position as at 31 March 2013, 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.

Independent Auditor's Report

OPINION

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

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

10/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

21 June 2013

Consolidated Income Statement

For the year ended 31 March 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
TURNOVER	<i>8</i>	80,721	105,026
Cost of sales		(77,489)	(98,553)
Gross profit		3,232	6,473
Other income and net (losses)/gains	<i>8</i>		
– Net (loss)/gain from equity securities		(8,540)	8,184
– Others		(16,958)	14,535
Impairment loss on exploration and evaluation assets	<i>20</i>	(246,053)	(293,573)
Goodwill written off	<i>21</i>	–	(1,291)
Selling and distribution expenses		(5,028)	(4,529)
Operating and administrative expenses		(25,686)	(25,784)
LOSS FROM OPERATIONS		(299,033)	(295,985)
Finance costs	<i>9</i>	(14,311)	(6,372)
LOSS BEFORE TAX	<i>10</i>	(313,344)	(302,357)
TAXATION	<i>11(a)</i>	61,513	73,393
LOSS FOR THE YEAR		(251,831)	(228,964)
ATTRIBUTABLE TO:			
Equity shareholders of the Company	<i>12</i>	(214,500)	(184,470)
Non-controlling interests		(37,331)	(44,494)
LOSS FOR THE YEAR		(251,831)	(228,964)
LOSS PER SHARE	<i>16</i>		
Basic		HK(15.47) cents	HK(13.31) cents
Diluted		HK(15.47) cents	HK(13.62) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
LOSS FOR THE YEAR	(251,831)	(228,964)
OTHER COMPREHENSIVE INCOME		
Exchange differences arising on translation of foreign operations	13,034	45,409
OTHER COMPREHENSIVE INCOME FOR THE YEAR (NET OF TAX)	13,034	45,409
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(238,797)	(183,555)
ATTRIBUTABLE TO:		
Equity shareholders of the Company	(203,975)	(148,144)
Non-controlling interests	(34,822)	(35,411)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(238,797)	(183,555)

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,767	1,718
Available-for-sale financial assets	19	7,800	7,800
Exploration and evaluation assets	20	1,100,341	1,329,686
Goodwill	21	–	–
		1,109,908	1,339,204
CURRENT ASSETS			
Inventories	22	4,369	2,790
Trade receivables	23	1,328	1,897
Prepayments, deposits, temporary payments and other receivables	24	5,440	5,827
Financial assets at fair value through profit or loss	25	50,841	62,695
Tax recoverable	11(b)	2,831	2,831
Time deposits, cash and bank balances	26	22,736	32,942
		87,545	108,982
CURRENT LIABILITIES			
Trade payables	27	43	43
Customers' deposits		1,504	1,647
Margin loan payable	28	14,921	–
Other payables and accruals	29	11,197	6,535
Convertible notes	30	–	141
Tax payable		590	590
		28,255	8,956
NET CURRENT ASSETS			
		59,290	100,026
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,169,198	1,439,230
NON-CURRENT LIABILITIES			
Convertible notes	30	63,786	37,651
Deferred tax liabilities	31	272,283	329,653
		336,069	367,304
NET ASSETS			
		833,129	1,071,926

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
CAPITAL AND RESERVES			
Share capital	32	13,862	13,862
Reserves	33	656,098	860,073
Equity attributable to equity shareholders of the Company		669,960	873,935
Non-controlling interests		163,169	197,991
TOTAL EQUITY		833,129	1,071,926

Lee Yuk Lun
Director

Lam Kwan Sing
Director

Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	–	1
Interests in subsidiaries	18	1,211,692	1,191,140
		1,211,692	1,191,141
CURRENT ASSETS			
Amounts due from subsidiaries	18	–	2,040
Prepayments, deposits and other receivables	24	1,450	1,547
Financial assets at fair value through profit or loss	25	50,841	62,695
Tax recoverable	11(b)	2,831	2,831
Time deposits, cash and bank balances	26	3,678	28,606
		58,800	97,719
CURRENT LIABILITIES			
Amount due to a subsidiary	18	4,800	3,840
Other payables and accruals	29	7,967	2,780
Convertible notes	30	–	141
		12,767	6,761
NET CURRENT ASSETS		46,033	90,958
TOTAL ASSETS LESS CURRENT LIABILITIES		1,257,725	1,282,099
NON-CURRENT LIABILITIES			
Convertible notes	30	63,786	37,651
NET ASSETS		1,193,939	1,244,448
CAPITAL AND RESERVES			
Share capital	32	13,862	13,862
Reserves	33(b)	1,180,077	1,230,586
TOTAL EQUITY		1,193,939	1,244,448

Lee Yuk Lun
Director

Lam Kwan Sing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium account	Contributed surplus	Convertible notes equity reserve	Exchange fluctuation reserve	Statutory reserve fund	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2011 and 1 April 2011	13,862	920,524	77,102	25,992	66,309	12	(123,456)	980,345	233,402	1,213,747
Loss for the year	-	-	-	-	-	-	(184,470)	(184,470)	(44,494)	(228,964)
Other comprehensive income for the year										
Exchange differences arising on translation of foreign operations	-	-	-	-	36,326	-	-	36,326	9,083	45,409
Total comprehensive income/(loss) for the year	-	-	-	-	36,326	-	(184,470)	(148,144)	(35,411)	(183,555)
Transactions with owners										
Issue of convertible notes	-	-	-	41,734	-	-	-	41,734	-	41,734
Redemption of convertible notes	-	-	-	(25,807)	-	-	25,807	-	-	-
Total transactions with owners	-	-	-	15,927	-	-	25,807	41,734	-	41,734
Balance at 31 March 2012	13,862	920,524	77,102	41,919	102,635	12	(282,119)	873,935	197,991	1,071,926

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to equity shareholders of the Company									Total equity HK\$'000
	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	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
Balance at 31 March 2012 and 1 April 2012	13,862	920,524	77,102	41,919	102,635	12	(282,119)	873,935	197,991	1,071,926
Loss for the year	-	-	-	-	-	-	(214,500)	(214,500)	(37,331)	(251,831)
Other comprehensive income for the year										
Exchange differences arising on translation of foreign operations	-	-	-	-	10,525	-	-	10,525	2,509	13,034
Total comprehensive income/ (loss) for the year	-	-	-	-	10,525	-	(214,500)	(203,975)	(34,822)	(238,797)
Transactions with owners										
Issue of convertible notes	-	-	-	-	-	-	-	-	-	-
Redemption of convertible notes	-	-	-	(185)	-	-	185	-	-	-
Total transactions with owners	-	-	-	(185)	-	-	185	-	-	-
Balance at 31 March 2013	13,862	920,524	77,102	41,734	113,160	12	(496,434)	669,960	163,169	833,129

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES			
Loss before tax		(313,344)	(302,357)
Adjustments for:			
Interest expenses		14,311	6,372
Dividend income from unlisted available-for-sale financial assets		(3,120)	(2,028)
Dividend income from listed financial assets at fair value through profit or loss		(160)	(168)
Bank interest income		(12)	(5)
Other interest income		–	(1)
Depreciation		687	1,135
Goodwill written off		–	1,291
Impairment loss on exploration and evaluation assets	20	246,053	293,573
Gain on disposal of property, plant and equipment		(50)	–
Unrealised loss/(gain) on investments in financial assets at fair value through profit or loss		11,820	(5,988)
Change in fair values of derivative components embedded in convertible notes		16,845	(24,104)
Net realised loss on derivative components of convertible notes		323	9,615
Foreign exchange loss/(gain)		492	(242)
Operating loss before working capital changes		(26,155)	(22,907)
Increase in inventories		(1,582)	(802)
Decrease/(increase) in trade receivables		570	(264)
Decrease/(increase) in prepayments, deposits, temporary payments and other receivables		387	(1,465)
Decrease/(increase) in financial assets at fair value through profit or loss		35	(18,674)
(Decrease)/increase in customers' deposits		(143)	34
(Decrease)/increase in other payables and accruals		(349)	356
Cash used in operating activities		(27,237)	(43,722)
Interest paid		(20)	–
Hong Kong profits tax paid		–	(86)
Net cash used in operating activities		(27,257)	(43,808)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
INVESTING ACTIVITIES			
Dividend received from unlisted available-for-sale financial assets		3,120	2,028
Dividend received from listed financial assets at fair value through profit or loss		160	168
Bank interest received		12	5
Proceeds on disposal of property, plant and equipment		50	–
Other interest received		–	1
Purchases of property, plant and equipment	17(a)	(747)	(237)
Additions to exploration and evaluation assets	20	–	(935)
Net cash generated from investing activities		2,595	1,030
FINANCING ACTIVITIES			
Increase in margin loan payable		14,921	–
Proceeds from issue of convertible notes		–	100,000
Redemption of convertible notes		(465)	(43,200)
Net cash generated from financing activities		14,456	56,800
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(10,206)	14,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		32,942	18,920
CASH AND CASH EQUIVALENTS AT END OF YEAR		22,736	32,942
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits		–	15,001
Cash and bank balances		22,736	17,941
		22,736	32,942

Notes to Financial Statements

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 ("HKICPA"), 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 and liabilities 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 2013. 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.

Notes to Financial Statements

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income Taxes – Deferred tax: Recovery of underlying assets*

Amendments to HKFRS 7, *Financial instruments: Disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, *Income taxes*

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This amendment has no effect on the Group's financial statements for prior years and current year.

4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013

The following new and revised standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	<i>Presentation of financial statements – Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10	<i>Consolidated financial statements</i>	1 January 2013
HKFRS 11	<i>Joint arrangements</i>	1 January 2013
HKFRS 12	<i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13	<i>Fair value measurement</i>	1 January 2013
HKAS 27	<i>Separate financial statements (2011)</i>	1 January 2013
HKAS 28	<i>Investments in associates and joint ventures</i>	1 January 2013
<i>Revised HKAS 19</i>	<i>Employee benefits</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>		1 January 2013
Amendments to HKFRS 7	<i>Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKFRS 1	<i>*Government loans</i>	1 January 2013

Notes to Financial Statements

4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance</i>	1 January 2013
HK(IFRIC) – Int 20	<i>Stripping Costs in the production phase of a surface mine</i>	1 January 2013
Amendments to HKAS 32	<i>Financial instruments: Presentation – Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment entities</i>	1 January 2014
HKFRS 9	<i>Financial instruments</i>	1 January 2015
Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory effective date of HKFRS 9 and transition disclosures</i>	1 January 2015

The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

* *First-time adoption of Hong Kong Financial Reporting Standards.*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries and non-controlling interests

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

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

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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity 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 equity shareholders of the Company.

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

Subsidiaries and non-controlling interests (cont'd)

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 recognised immediately in profit or loss.

Notes to Financial Statements

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings 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 at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationship as defined by HKAS 39. Derivatives, including separated embedded derivative, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. 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.

Notes to Financial Statements

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 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.

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.

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

Derecognition of financial assets (cont'd)

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.

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.

Notes to Financial Statements

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

Convertible notes (cont'd)

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 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.

Notes to Financial Statements

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.

Notes to Financial Statements

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.

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

Dividends

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

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

Leases

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the 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) A person, or a close member of that person's family, is related to the Group if that person:
 - i) has control or joint control over the Group;
 - ii) has significant influence over the Group; or
 - iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to Financial Statements

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

Related parties (cont'd)

- (b) An entity is related to the Group if any of the following conditions applies:
- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - vi) The entity is controlled or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

- (1) The Group recognises liabilities for anticipated tax issues for which the ultimate tax determination may be uncertain based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax provisions in the financial period in which such determination is made.
- (2) As at 31 March 2013, the Group had estimated unused tax losses of approximately HK\$222,337,000 (2012: HK\$181,951,000) available for offset against future profits. No deferred tax asset has been recognised on the tax losses of approximately HK\$222,337,000 (2012: HK\$181,951,000) 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.

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

Useful lives of property, plant and equipment

Depreciation of property, plant and equipment is calculated to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis. The Group reviews the estimated useful lives and residual values of property, plant and equipment to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated changes.

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 2013, an impairment loss of HK\$246,053,000 (2012: HK\$293,573,000) has been recognised for exploration and evaluation assets. The aggregate carrying value of exploration and evaluation assets was HK\$1,100,341,000 (2012: HK\$1,329,686,000).

Valuation of convertible notes

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

Notes to Financial Statements

7. SEGMENT INFORMATION

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.

Notes to Financial Statements

7. SEGMENT INFORMATION (CONT'D)

a) Operating segment information

For the year ended 31 March 2013

	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	73,923	-	6,791	7	-	-	80,721
Inter-segment sales	-	-	1,065	-	-	-	1,065
Reportable segment revenue	73,923	-	7,856	7	-	-	81,786
Elimination of inter-segment sales							(1,065)
Consolidated revenue							80,721
Segment results	(11,660)	1,817	(10,814)	(544)	(248,172)	(1,416)	(270,789)
Reconciliation:							
Interest income							12
Change in fair value of derivative components embedded in convertible notes							(16,845)
Net realised loss on derivative components of convertible notes							(323)
Unallocated corporate expenses							(11,088)
Loss from operating activities							(299,033)
Finance costs							(14,311)
Loss before tax							(313,344)
Taxation							61,513
Loss for the year							(251,831)
Other segment information:							
Depreciation	-	(1)	(329)	(67)	(170)	(120)	(687)
Capital expenditure	-	-	(414)	(333)	-	-	(747)
Unrealised loss on investments in financial assets at fair value through profit or loss	(11,820)	-	-	-	-	-	(11,820)
Goodwill written off	-	-	-	-	-	-	-
Impairment loss on exploration and evaluation assets	-	-	-	-	(246,053)	-	(246,053)

Notes to Financial Statements

7. SEGMENT INFORMATION (CONT'D)

a) Operating segment information (cont'd)

For the year ended 31 March 2012

	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Mine <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	96,374	–	8,605	47	–	–	105,026
Inter-segment sales	–	–	1,207	277	–	–	1,484
Reportable segment revenue	96,374	–	9,812	324	–	–	106,510
Elimination of inter-segment sales							(1,484)
Consolidated revenue							105,026
Segment results	5,909	(78)	(7,349)	98	(295,866)	(1,990)	(299,276)
Reconciliation:							
Interest income							5
Change in fair value of derivative components embedded in convertible notes							24,104
Net realised loss on derivative components of convertible notes							(9,615)
Unallocated corporate expenses							(11,203)
Loss from operating activities							(295,985)
Finance costs							(6,372)
Loss before tax							(302,357)
Taxation							73,393
Loss for the year							(228,964)
Other segment information:							
Depreciation	–	(1)	(794)	(52)	(167)	(121)	(1,135)
Capital expenditure	–	–	(210)	–	(27)	–	(237)
Unrealised gain on investments in financial assets at fair value through profit or loss	5,988	–	–	–	–	–	5,988
Goodwill written off	–	–	(1,291)	–	–	–	(1,291)
Impairment loss on exploration and evaluation assets	–	–	–	–	(293,573)	–	(293,573)

Notes to Financial Statements

7. SEGMENT INFORMATION (CONT'D)

- b) The segment assets and liabilities at the end of the reporting period are as follows:
As at 31 March 2013

	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Mine <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	50,841	1,536	13,561	16,788	1,101,178	79,375	1,263,279
Elimination of inter-segment receivables							(99,193)
							1,164,086
Unallocated assets:							
Available-for-sale financial assets							7,800
Cash and cash equivalents							22,736
Tax recoverable							2,831
Total assets per consolidated statement of financial position							1,197,453
Reportable segment liabilities	-	(10,460)	(44,632)	(24,476)	(14,025)	(33,265)	(126,858)
Elimination of inter-segment payables							99,193
							(27,665)
Unallocated liabilities:							
Convertible notes							(63,786)
Deferred tax liabilities							(272,283)
Tax payable							(590)
Total liabilities per consolidated statement of financial position							(364,324)
Additions to non-current segment assets during the year	-	-	414	333	-	-	747

Notes to Financial Statements

7. SEGMENT INFORMATION (CONT'D)

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

As at 31 March 2012

	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Mine <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	62,695	1,548	11,051	16,447	1,330,753	63,969	1,486,463
Elimination of inter-segment receivables							(81,850)
							1,404,613
Unallocated assets:							
Available-for-sale financial assets							7,800
Cash and cash equivalents							32,942
Tax recoverable							2,831
Total assets per consolidated statement of financial position							<u>1,448,186</u>
Reportable segment liabilities	-	(5,883)	(32,194)	(23,735)	(11,825)	(16,438)	(90,075)
Elimination of inter-segment payables							81,850
							(8,225)
Unallocated liabilities:							
Convertible notes							(37,792)
Deferred tax liabilities							(329,653)
Tax payable							(590)
Total liabilities per consolidated statement of financial position							<u>(376,260)</u>
Additions to non-current segment assets during the year	-	-	210	-	962	-	1,172

Notes to Financial Statements

7. SEGMENT INFORMATION (CONT'D)

c) Geographical information

i) Revenue from external customers

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

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

	2013 HK\$'000	2012 HK\$'000
Hong Kong and Mainland China	80,588	104,519
Other countries	133	507
Total revenue	80,721	105,026

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:

	2013 HK\$'000	2012 HK\$'000
Hong Kong	587	499
Mainland China	1,101,174	1,330,413
Other countries	347	492
	1,102,108	1,331,404

Information about major customers:

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

	2013 HK\$'000	2012 HK\$'000
Customer A	2,620	3,247

Notes to Financial Statements

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:

	2013 HK\$'000	2012 HK\$'000
Turnover		
Sales of fur skins and fur garments	6,798	8,652
Proceeds from sales of listed financial assets at fair value through profit or loss	73,923	96,374
	80,721	105,026
Other income and net (losses)/gains		
Net (loss)/gain from equity securities:		
Dividend income from unlisted available-for-sale financial assets	3,120	2,028
Dividend income from listed financial assets at fair value through profit or loss	160	168
Unrealised (loss)/gain on investments in listed financial assets at fair value through profit or loss	(11,820)	5,988
	(8,540)	8,184
Others:		
Gain on disposal of property, plant and equipment	50	–
Bank interest income	12	5
Other interest income	–	1
Fair value change on derivative components embedded in convertible notes	(16,845)	24,104
Net realised loss on derivative components of convertible notes	(323)	(9,615)
Others	148	40
	(16,958)	14,535
	(25,498)	22,719

9. FINANCE COSTS

	Group 2013 HK\$'000	2012 HK\$'000
Imputed interest expenses on convertible notes (note 30)	14,291	6,372
Interest on margin loan payable	20	–
	14,311	6,372

Notes to Financial Statements

10. LOSS BEFORE TAX

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories and trading securities sold	77,489	98,553
Depreciation	687	1,135
Minimum lease payments under operating leases on land and buildings	3,742	3,698
Auditors' remuneration		
– audit services	460	435
– other services	100	120
	560	555
Staff salaries, allowances and benefits in kind (excluding directors' remuneration)	7,790	7,977
Pension contributions	304	231
Exchange loss	398	178
Write-back of net provision for obsolete inventories	(344)	(3,033)

11. TAXATION

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 2013 and 31 March 2012. 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Taxation in the consolidated income statement represents income tax credit as follows:		
Deferred tax (<i>note 31</i>)	61,513	73,393

Notes to Financial Statements

11. TAXATION (CONT'D)

a) The reconciliation between the loss before tax and the income tax credit is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(313,344)	(302,357)
Tax credit at the statutory tax rate of 16.5% (2012: 16.5%)	51,701	49,888
Effect of different tax rates in other jurisdictions	21,304	25,722
Income not subject to tax	2,296	4,346
Expenses not deductible for tax	(6,479)	(2,509)
Unrecognised tax losses	(7,375)	(4,003)
Unrecognised temporary differences	66	(79)
Utilisation of tax losses previously unrecognised	–	28
Income tax credit	61,513	73,393

b) Tax recoverable in the consolidated and Company statements 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\$50,509,000 (2012: profit of HK\$730,000) (note 33 (b)), which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

Notes to Financial Statements

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	
	2013	2012
	HK\$'000	HK\$'000
Fees	610	600
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	3,470	2,683
Retirement benefits contributions	62	40
	3,532	2,723
	4,142	3,323

a) Independent non-executive directors

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

	2013	2012
	HK\$'000	HK\$'000
Fok Ho Yin, Thomas	120	120
Tso Hon Sai, Bosco (i)	50	120
Tsui Ching Hung	120	120
Cheung Oi Man, Amelia (ii)	30	–
Hon Ming Sang (iii)	50	–
	370	360

There was no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

Note:

- (i) Retired on 3 August 2012
- (ii) Appointed on 31 December 2012
- (iii) Appointed on 3 August 2012 and re-designated on 31 December 2012 as executive director

Notes to Financial Statements

14. DIRECTORS' REMUNERATION (CONT'D)

b) Executive directors

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Retirement benefits contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2013				
Lee Yuk Lun	120	390	14	524
Kong Shan, David	120	390	14	524
Lam Kwan Sing	–	1,560	15	1,575
Wong Nga Leung	–	1,040	15	1,055
Hon Ming Sang (i)	–	90	4	94
	240	3,470	62	3,772
2012				
Lee Yuk Lun	120	390	12	522
Kong Shan, David	120	280	12	412
Lam Kwan Sing	–	1,560	12	1,572
Wong Nga Leung	–	453	4	457
	240	2,683	40	2,963

Note:

(i) Re-designated on 31 December 2012 from an independent non-executive director

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

	Number of directors	
	2013	2012
Nil – HK\$1,000,000	7	6
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	1

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

Notes to Financial Statements

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three directors (2012: three directors), details of whose emoluments are disclosed above. The details of the remuneration of two (2012: two) remaining individuals, highest paid employees for the year are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Basic salaries, housing benefits, other allowances and benefits in kind	1,467	1,757
Retirement benefits contributions	25	24
	1,492	1,781

The emoluments fell within the following band:

	Number of individuals	
	2013	2012
Nil – HK\$1,000,000	2	2

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 for the years ended 31 March 2013 and 31 March 2012 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 years ended 31 March 2013 and 31 March 2012 respectively.

	2013	2012
Loss for the year attributable to equity shareholders of the Company (<i>HK\$'000</i>)	(214,500)	(184,470)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,386,228	1,386,228
Basic loss per share (<i>HK cents per share</i>)	(15.47) cents	(13.31) cents

Notes to Financial Statements

16. LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (CONT'D)

b) Diluted loss per share

Diluted loss per share for the year ended 31 March 2013 is the same as the basic loss per share, as the convertible notes outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted loss per share for the year ended 31 March 2013 is based on the loss for the year attributable to equity shareholders of the Company of HK\$184,189,000 (2012: HK\$202,589,000) and the weighted average number of ordinary shares of 1,486,228,000 shares (2012: 1,487,003,000 shares), calculated as follows:

i) Loss attributable to ordinary equity shareholders of the Company (diluted):

	2013 HK\$'000	2012 HK\$'000
Loss for the purpose of basic loss per share	(214,500)	(184,470)
After tax effect of effective interest on the liability components of convertible notes	13,466	5,985
After tax effect of fair value loss/(gain) recognised on the conversion option derivative components of convertible notes	16,845	(24,104)
Loss attributable to ordinary equity shareholders (diluted)	(184,189)	(202,589)

ii) Weighted average number of ordinary shares (diluted):

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	1,386,228	1,386,228
Effect of dilutive potential ordinary shares in respect of convertible notes (<i>note 30</i>)	100,000	100,775
Weighted average number of ordinary shares (diluted)	1,486,228	1,487,003

Notes to Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

a) Group

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures, office equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1.4.2011	345	2,521	1,912	7,899	12,677
Exchange adjustments	13	–	2	(35)	(20)
Additions	–	60	149	28	237
At 31.3.2012 and 1.4.2012	358	2,581	2,063	7,892	12,894
Exchange adjustments	5	–	1	(32)	(26)
Additions	–	28	–	719	747
Disposal	–	–	–	(515)	(515)
At 31.3.2013	363	2,609	2,064	8,064	13,100
Accumulated depreciation					
At 1.4.2011	54	2,072	1,865	6,068	10,059
Exchange adjustments	2	–	–	(20)	(18)
Charge for the year	17	412	37	669	1,135
At 31.3.2012 and 1.4.2012	73	2,484	1,902	6,717	11,176
Exchange adjustments	1	–	4	(20)	(15)
Charge for the year	17	49	40	581	687
Written back on disposal	–	–	–	(515)	(515)
At 31.3.2013	91	2,533	1,946	6,763	11,333
Net carrying amount					
At 31.3.2013	272	76	118	1,301	1,767
At 31.3.2012	285	97	161	1,175	1,718

Notes to Financial Statements

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

b) Company

	Office equipment
	<i>HK\$'000</i>
Cost	
At 1.4.2011, 31.3.2012, 1.4.2012 and 31.3.2013	4
Accumulated depreciation	
At 1.4.2011	2
Charge for the year	1
At 31.3.2012 and 1.4.2012	3
Charge for the year	1
At 31.3.2013	4
Net carrying amount	
At 31.3.2013	-
At 31.3.2012	1

The Group's buildings at 31 March 2013 and 31 March 2012 were held in The People's Republic of China (the "PRC") under medium-term leases.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	83,368	83,368
Due from subsidiaries	38,568	18,744
Loans to subsidiaries	1,096,505	1,186,510
Loans from subsidiaries	(4,516)	(4,443)
Due to subsidiaries	(2,233)	(93,039)
	1,211,692	1,191,140

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

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities of HK\$Nil (2012: HK\$2,040,000) and HK\$4,800,000 (2012: HK\$3,840,000) respectively are unsecured, interest-free and are recoverable/repayable on demand or within one year from the end of the reporting period.

Notes to Financial Statements

18. INTERESTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries at 31 March 2013 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%	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
Rising Manufacturing Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of car rental service to a group company
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

Notes to Financial Statements

18. INTERESTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries at 31 March 2013 are as follows: (cont'd)

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)				
Legend Sense Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Securities dealing
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 (Shaanxi Jiuquan Mining Company Limited)**	The People's Republic of China	RMB10,770,200	80%	Mine exploration
Paris Fur (International) Limited	Hong Kong	Ordinary HK\$1	100%	Investment holding
Paris Fur	France	Ordinary EUR30,490	100%	Dormant
Smarty Express Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Trading of fur
Mega Charm Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Securities dealing

* 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.

Notes to Financial Statements

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	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 2011	1,552,062	9,762	1,561,824
Exchange adjustment	60,122	378	60,500
Additions during the year	–	935	935
Impairment loss	(293,573)	–	(293,573)
Balance at 31 March 2012 and 1 April 2012	1,318,611	11,075	1,329,686
Exchange adjustment	16,570	138	16,708
Impairment loss	(246,053)	–	(246,053)
Balance at 31 March 2013	1,089,128	11,213	1,100,341

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

As at 31 March 2013, 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 2013. Accordingly, an impairment loss of HK\$246,053,000 (2012: HK\$293,573,000) was recognised in consolidated income statement for the year ended 31 March 2013.

Notes to Financial Statements

21. GOODWILL

	Group 2013 HK\$'000	2012 HK\$'000
At 1 April	–	1,291
Written off	–	(1,291)
At 31 March	–	–

The goodwill balance at 1 April 2011 of HK\$1,291,000 was written off in the consolidated income statement for the year ended 31 March 2012 as the subsidiary from which the goodwill was generated ceased its business during the year ended 31 March 2012.

22. INVENTORIES

	Group 2013 HK\$'000	2012 HK\$'000
Raw materials	1,869	1,165
Finished goods	2,500	1,625
	4,369	2,790

All of the inventories were stated at cost.

The cost of inventories recognised in the consolidated income statement during the year amounted to HK\$5,203,000 (2012: HK\$5,602,000).

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

	Group 2013 HK\$'000	2012 HK\$'000
Carrying amount of inventories sold	5,547	8,635
Write-down of inventories	2,279	509
Reversal of write-down of inventories	(2,623)	(3,542)
	5,203	5,602

Notes to Financial Statements

23. TRADE RECEIVABLES

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

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

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	337	286
31 days to 60 days	1	92
Over 60 days	990	1,519
	1,328	1,897

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 2013 and 31 March 2012, there were no impairment losses in respect of trade receivables.

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

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	77	286
Less than 1 month past due	255	92
1 to 3 months past due	526	705
Over 3 months past due	470	814
	1,251	1,611
	1,328	1,897

Notes to Financial Statements

23. TRADE RECEIVABLES (CONT'D)

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Prepayments, deposits, temporary payments and other receivables	5,440	5,827	1,450	1,547

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\$147,000 (2012: HK\$741,000) and HK\$ Nil (2012: 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	
	2013 HK\$'000	2012 HK\$'000
Equity securities listed in Hong Kong at fair value	50,841	62,695

At 31 March 2013, the total carrying amounts of certain financial assets at fair value through profit or loss amounted to HK\$50,436,000, which have been pledged as security for the margin loan payable of HK\$14,921,000 (2012: Nil), the details of which are set out in note 28.

26. TIME DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Time deposits	-	15,001	-	15,001
Cash and bank balances	22,736	17,941	3,678	13,605
	22,736	32,942	3,678	28,606

Notes to Financial Statements

26. TIME DEPOSITS, CASH AND BANK BALANCES (CONT'D)

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Euro	77	95	3	3
United States dollars	261	820	11	11
Danish Krone	27	28	–	–
Renminbi	1,473	214	–	–

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	
	2013 HK\$'000	2012 HK\$'000
Current to 30 days	–	–
31 days to 60 days	–	–
Over 60 days	43	43
	43	43

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

Notes to Financial Statements

28. MARGIN LOAN PAYABLE

At 31 March 2013, the margin loan payable was secured by the equity securities held under the margin account, with a total market value of approximately HK\$50,436,000 (2012: Nil) (Note 25).

	Group			
	2013		2012	
	<i>HK\$'000</i>	<i>Effective interest rates (%) p.a.</i>	<i>HK\$'000</i>	<i>Effective interest rates (%) p.a.</i>
Within one year	14,921	8	–	N/A

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Amount due to an investee company	2,491	2,491	–	–
Others	8,706	4,044	7,967	2,780
	11,197	6,535	7,967	2,780

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
United States dollars	2,496	2,485	–	–
Euro	1,768	1,868	–	–
Renminbi	124	120	–	–

30. CONVERTIBLE NOTES

- (1) During the year ended 31 March 2009, the Company issued convertible notes (the "11 April 2008 convertible notes") with a nominal value of HK\$837,000,000 to three independent vendors as part of consideration for acquiring 80% interest in Shaanxi 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. 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. Outstanding principal amount of the convertible notes as at 31 March 2012 was HK\$465,000. On 22 June 2012, the Company redeemed and repaid the outstanding amount HK\$465,000 of convertible notes in full.

- (2) On 12 October 2011, the Company issued convertible notes with a nominal value of HK\$100,000,000. The convertible notes bear interest at 5% per annum with maturity date on 11 October 2014. The holders of the convertible notes have the right to convert on any business date at any time following 12 October 2011 until the date falling 7 days before (and excluding) 11 October 2014, into ordinary share of the Company at an initial conversion price of HK\$1.00 per share (subject to adjustment). 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. The effective interest rate of the liability component is 19.55% 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 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 2013 and 31 March 2012 by an independent firm of professionally qualified valuers, BMI Appraisals Limited.

Notes to Financial Statements

30. CONVERTIBLE NOTES (CONT'D)

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

	Group and Company		
	Liability components <i>HK\$'000</i>	Conversion option derivative components <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	42,248	(9,062)	33,186
Convertible notes issued, net of issuing costs	69,131	(10,865)	58,266
Imputed interest charged (<i>note 9</i>)	6,372	–	6,372
Amount discharged on redemption of HK\$43,200,000 convertible notes	(43,200)	9,615	(33,585)
Interest payable	(2,343)	–	(2,343)
Change in fair values	–	(24,104)	(24,104)
At 31 March 2012 and 1 April 2012	72,208	(34,416)	37,792
Imputed interest charged (<i>note 9</i>)	15,666	(1,375)	14,291
Amount discharged on redemption of HK\$744,930,000 convertible notes (<i>note 30(1)</i>)	(465)	323	(142)
Interest payable	(5,000)	–	(5,000)
Change in fair values	–	16,845	16,845
At 31 March 2013	82,409	(18,623)	63,786

	Group and Company	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Representing for reporting purposes as:		
Current liabilities	–	(141)
Non-current liabilities	(63,786)	(37,651)
	(63,786)	(37,792)

Notes to Financial Statements

31. DEFERRED TAX LIABILITIES

- 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
	<i>HK\$'000</i>
At 1 April 2011	388,016
Exchange adjustment	15,030
Credited to consolidated income statement (<i>note 11</i>)	(73,393)
At 31 March 2012 and 1 April 2012	329,653
Exchange adjustment	4,143
Credited to consolidated income statement (<i>note 11</i>)	(61,513)
At 31 March 2013	272,283

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

	Group		Company	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decelerated depreciation allowances	204	260	–	–
Tax losses carried forward	37,659	30,867	27,678	22,882
	37,863	31,127	27,678	22,882

At 31 March 2013, the Group has unused tax losses of HK\$222,337,000 (2012: HK\$181,951,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of HK\$222,337,000 (2012: HK\$181,951,000) due to the unpredictability of future profit streams. The unrecognised tax losses of HK\$210,878,000 (2012: HK\$172,011,000) can be carried forward indefinitely. The remaining HK\$11,459,000 (2012: HK\$9,940,000) expires in one to fifth years.

- c) At 31 March 2013 and 31 March 2012, there was no significant unrecognised deferred tax liability (2012: 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.

Notes to Financial Statements

32. SHARE CAPITAL

	Number of shares of HK\$0.01 each		Share capital	
	2013 '000	2012 '000	2013 HK\$'000	2012 HK\$'000
Authorised:				
Ordinary shares at beginning and end of year	30,000,000	30,000,000	300,000	300,000
Issued and fully paid:				
Ordinary shares at beginning and end of year	1,386,228	1,386,228	13,862	13,862

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 2013. No share option has been granted by the Company under the New Scheme during the years ended 31 March 2013 and 31 March 2012. The total number of shares available for issue under the New Scheme as at the date of these financial statements was 7,965,280, representing 0.57% of the issued share capital of the Company as at the date of these financial statements.

Notes to Financial Statements

33. RESERVES

a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 40 and 41 of the financial statements.

b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes equity reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	920,524	154,440	25,992	87,166	1,188,122
Issue of convertible notes	-	-	41,734	-	41,734
Redemption of convertible notes	-	-	(25,807)	25,807	-
Profit for the year – <i>note 12</i>	-	-	-	730	730
At 31 March 2012 and 1 April 2012	920,524	154,440	41,919	113,703	1,230,586
Issue of convertible notes	-	-	-	-	-
Redemption of convertible notes	-	-	(185)	185	-
Loss for the year – <i>note 12</i>	-	-	-	(50,509)	(50,509)
At 31 March 2013	920,524	154,440	41,734	63,379	1,180,077

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

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

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

Notes to Financial Statements

34. PLEDGE OF ASSETS

The Group and the Company have pledged the following assets with carrying amounts to secure the borrowings and credit facilities (see note 28) granted to the Group and the Company:

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Financial assets at fair value through profit or loss	50,436	–	–	–

35. OPERATING LEASE COMMITMENTS

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms of two to twenty 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	
	2013 HK\$'000	2012 HK\$'000
Within one year	1,593	2,794
In the second to fifth years, inclusive	311	1,723
Over five years	615	677
	2,519	5,194

36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Short-term employee benefits	4,990	4,193
Post-employment benefits	77	52
	5,067	4,245

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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 margin loan payable.

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 result and accordingly, the sensitivity analysis in respect of changes in interest rates is not presented.

Foreign currency risk

Certain bank balances and payables 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 exchange rates of foreign 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 2013, 65.09% (2012: 74.96%) and 65.09% (2012: 74.96%) 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.

The credit risk of the Group's other financial assets, which comprise time deposits, cash and bank balances, 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.

Notes to Financial Statements

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

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 end of the reporting period 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

Group

	2013					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	
Trade payables	43	-	-	-	-	43
Other payables and accruals	11,197	-	-	-	-	11,197
Margin loan payable	14,921	-	-	-	-	14,921
Convertible notes	-	-	-	63,786	-	63,786
	26,161	-	-	63,786	-	89,947

	2012					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	
Trade payables	43	-	-	-	-	43
Other payables and accruals	6,535	-	-	-	-	6,535
Convertible notes	-	141	-	-	37,651	37,792
	6,578	141	-	-	37,651	44,370

Notes to Financial Statements

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

Liquidity risk (cont'd)

Company

	2013					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK'000	More than 2 years but less than 5 years HK\$'000	
Amount due to a subsidiary	4,800	-	-	-	-	4,800
Other payables and accruals	7,967	-	-	-	-	7,967
Convertible notes	-	-	-	63,786	-	63,786
	12,767	-	-	63,786	-	76,553

	2012					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	More than 1 year but less than 2 years HK'000	More than 2 years but less than 5 years HK\$'000	
Amount due to a subsidiary	3,840	-	-	-	-	3,840
Other payables and accruals	2,780	-	-	-	-	2,780
Convertible notes	-	141	-	-	37,651	37,792
	6,620	141	-	-	37,651	44,412

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.

Notes to Financial Statements

37. FINANCIAL RISK MANAGEMENT OBJECTIVES 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\$2,452,000 (2012: HK\$3,135,000) 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\$931,000 (2012: HK\$1,789,000), 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

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

Notes to Financial Statements

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

Fair value (cont'd)

iii) 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 2013			
	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	50,841	–	–	50,841
Derivative financial instruments: – Conversion option derivative of convertible notes	–	–	18,623	18,623
	50,841	–	18,623	69,464

Notes to Financial Statements

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

Fair value (cont'd)

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

	Group and Company 2012			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss	62,695	–	–	62,695
Derivative financial instruments:				
– Conversion option derivative of convertible notes	–	–	34,416	34,416
	62,695	–	34,416	97,111

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

Conversion option derivative of convertible notes

	Group and Company HK\$'000
At 1 April 2011	9,062
Convertible notes issued, net of issuing costs	10,865
Amount discharged on redemption of convertible notes	(9,615)
Change in fair value recognised in profit or loss	24,104
At 31 March 2012 and 1 April 2012	34,416
Imputed interest charged	1,375
Amount discharged on redemption of convertible notes	(323)
Change in fair value recognised in profit or loss	(16,845)
At 31 March 2013	18,623

iv) 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 at 31 March 2013 and 31 March 2012.

Notes to Financial Statements

38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 31 March 2012.

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 periods was as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings		
Margin loan payable	14,921	–
Convertible notes	63,786	37,792
Total borrowings	78,707	37,792
Less: time deposits, cash and bank balances	(22,736)	(32,942)
Net debt	55,971	4,850
Total equity	833,129	1,071,926
Gearing ratio	6.7%	0.4%

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

Notes to Financial Statements

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2013

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets				
Available-for-sale financial assets	-	-	7,800	7,800
Trade receivables	-	1,328	-	1,328
Deposits, temporary payments and other receivables	-	5,333	-	5,333
Financial assets at fair value through profit or loss	50,841	-	-	50,841
Time deposits, cash and bank balances	-	22,736	-	22,736
Derivatives embedded in convertible notes	18,623	-	-	18,623
	69,464	29,397	7,800	106,661

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities	
Trade payables	43
Customers' deposits	1,504
Margin loan payable	14,921
Other payables and accruals	11,197
Convertible notes	82,409
	110,074

Notes to Financial Statements

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Group

2012

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets				
Available-for-sale financial assets	–	–	7,800	7,800
Trade receivables	–	1,897	–	1,897
Deposits, temporary payments and other receivables	–	5,696	–	5,696
Financial assets at fair value through profit or loss	62,695	–	–	62,695
Time deposits, cash and bank balances	–	32,942	–	32,942
Derivatives embedded in convertible notes	34,416	–	–	34,416
	97,111	40,535	7,800	145,446

Financial
liabilities at
amortised cost
HK\$'000

Financial liabilities

Trade payables	43
Customers' deposits	1,647
Other payables and accruals	6,535
Convertible notes	72,208
	80,433

Notes to Financial Statements

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company

2013

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets			
Amounts due from subsidiaries	–	–	–
Deposits and other receivables	–	1,440	1,440
Financial assets at fair value through profit or loss	50,841	–	50,841
Time deposits, cash and bank balances	–	3,678	3,678
Derivatives embedded in convertible notes	18,623	–	18,623
	69,464	5,118	74,582
Financial liabilities			
Amount due to a subsidiary			4,800
Other payables and accruals			7,967
Convertible notes			82,409
			95,176

Notes to Financial Statements

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Company

2012

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets			
Amounts due from subsidiaries	–	2,040	2,040
Deposits and other receivables	–	1,540	1,540
Financial assets at fair value through profit or loss	62,695	–	62,695
Time deposits, cash and bank balances	–	28,606	28,606
Derivatives embedded in convertible notes	34,416	–	34,416
	97,111	32,186	129,297

	Financial liabilities at amortised cost <i>HK\$'000</i>
Amount due to a subsidiary	3,840
Other payables and accruals	2,780
Convertible notes	72,208
	78,828

Financial liabilities

40. BANKING FACILITIES/BORROWINGS

At 31 March 2013 and 31 March 2012, the Company and the Group did not obtain any banking facilities and borrowings except for margin loan payable and convertible notes, details of which are set out in notes 28 and 30 respectively.

41. CONTINGENT LIABILITIES

At 31 March 2013 and 31 March 2012, the Company and the Group did not have any significant contingent liabilities.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2013.

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				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
TURNOVER	80,721	105,026	109,443	140,970	173,611
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	(299,033)	(295,985)	(132,342)	(218,990)	83,197
Finance costs	(14,311)	(6,372)	(2,478)	(29,378)	(144,129)
LOSS BEFORE TAX	(313,344)	(302,357)	(134,820)	(248,368)	(60,932)
Taxation	61,513	73,393	12,676	65,654	(6,112)
LOSS FOR THE YEAR	(251,831)	(228,964)	(122,144)	(182,714)	(67,044)
Attributable to:					
Equity shareholders of the Company	(214,500)	(184,470)	(114,081)	(142,901)	(66,679)
Non-controlling interests	(37,331)	(44,494)	(8,063)	(39,813)	(365)
	(251,831)	(228,964)	(122,144)	(182,714)	(67,044)

ASSETS AND LIABILITIES

	As at 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
PROPERTY, PLANT AND EQUIPMENT	1,767	1,718	2,618	2,862	3,478
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7,800	7,800	7,800	7,800	7,800
EXPLORATION AND EVALUATION ASSETS	1,100,341	1,329,686	1,561,824	1,549,893	1,799,008
GOODWILL	–	–	1,291	2,591	3,891
CONVERTIBLE NOTES	–	–	398	6,147	–
CURRENT ASSETS	87,545	108,982	67,704	112,280	115,823
TOTAL ASSETS	1,197,453	1,448,186	1,641,635	1,681,573	1,930,000
CURRENT LIABILITIES	28,255	8,956	39,872	6,696	8,556
NON-CURRENT LIABILITIES	336,069	367,304	388,016	385,357	1,204,011
TOTAL LIABILITIES	364,324	376,260	427,888	392,053	1,212,567
NET ASSETS	833,129	1,071,926	1,213,747	1,289,520	717,433