SINOCOP

SINOCOP RESOURCES (HOLDINGS) LIMITED
中銅資源(控股)有限公司

Stock Code: 00476

Annual Report 2009

Contents

FINANCIAL ADVISOR

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AUDITORS

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LEGAL ADVISORS IN HONG KONG

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PRINCIPAL REGISTRARS

The Bank of Bermuda Limited
6 Front Street
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BRANCH REGISTRARS IN HONG KONG

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REGISTERED OFFICE

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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

37th Floor, China Online Centre
333 Lockhart Road
Wanchai, Hong Kong

DIRECTORS

Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold *(Deputy Chairman)*
Mr. Li Shaofeng *(Non-Executive Director)*
Mr. Chan Francis Ping Kuen *(Independent Non-Executive Director)*
Mr. Hu Guang *(Independent Non-Executive Director)*
Mr. Chan Chak Paul *(Independent Non-Executive Director)*

SECRETARY

Mr. Chan Chung Chun, Arnold *CPA*

PRINCIPAL BANKER

Bank of China
Hang Seng Bank Limited

I am pleased to present the annual report of Sinocop Resources (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2009.

RESULTS

During the year ended 31 March 2009, the Group had recorded a turnover of approximately HK$284.6 million from its operation (2008: HK$251.3 million). The increase in turnover was mainly due to the increase in sales volume of metals and minerals during the year. Gross profit margin improved as a result of lower unit cost and freight costs. As a result, the gross profit had increased to approximately HK$32.1 million for the year under review (2008: HK$19.6 million).

The Group recorded a loss of approximately HK$24.3 million for the year as compared to HK$44.7 million for last year. Such decrease in loss was mainly due to the increase in gross profit as discussed above and was partially set off by the increase in non-cash interest to approximately HK$15.9 million (2008: HK$11.1 million) charged on the zero coupon convertible notes issued. There was also a decrease in administrative expenses to HK$43.1 million as compared to HK$58.3 million in last year. The decrease in administrative expenses for the current year was the combined result of (i) non-cash share-based payment of approximately HK$2.6 million (2008: HK$35.5 million) in respect of the vesting of share options during the year; and (ii) the administrative expenses on our ores processing operation in Chile acquired during the second half of the last financial year amounting to approximately HK$8.5 million (2008: HK$1.0 million).

By eliminating the effect of the above two non-cash expenses, the Group would only have recorded an operating net loss of approximately HK$5.8 million for the year (2008: net profit of approximately HK$1.9 million).

The loss attributable to the equity holders of the Company was HK$20.5 million (2008: HK$44.0 million). Basic and diluted loss per share for the year was HK$0.0163 per share (2008: HK$0.0382 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2009.

BUSINESS REVIEW

Metals and minerals trading

Despite the global financial crisis experienced, the Group was able to maintain its turnover as resulted from its stable relationship with its customers in the People's Republic of China (the "PRC").

Ores processing and trading

The Company had, through its wholly-owned subsidiary namely China Elegance Resources Limited ("CE Resources"), entered into a sale and purchase agreement (the "Agreement") on 7 August 2007 in respect of the acquisition of 60% interest in Bellavista Holding Group Limited ("Bellavista"), which indirectly owns certain mining concessions in Chile (please refer to the Company's announcement dated 29 August 2007 for details) (the "Acquisition"). On 4 February 2009, CE Resources entered into a deed of termination with the vendor and Bellavista, whereby the parties mutually agreed to terminate the Agreement in relation to the Acquisition. The termination was agreed after taking into account of various factors including the abrupt drop in copper price which would affect the valuation of the mining concessions, and the less than satisfactory progress of the infrastructure and preparation work for drilling at the mining sites due to the unfavourable weather condition. Upon termination of the Agreement, all terms and conditions of the Agreement ceased to have any effect.

Notwithstanding the termination as noted above, the Company has continued with the copper ores processing and trading operation in Chile through its joint venture company, Tong Guan La Plata Company Limited ("TGLP"). TGLP was 60% held by the Company through its wholly-owned subsidiary, Zhong Xing Heng He Holdings Limited. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. During the year, TGLP's wholly-owned subsidiary in Chile, Minera Catania Verde S.A. ("Verde"), had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant and had obtained environmental licenses from the Chilean Government in early 2009. Since the global financial crisis from the fourth quarter of 2008, demand and prices of metals and minerals experienced a sharp decrease. In view of the continuing global economic downturn, copper consumption industries such as real estate and automobiles are expected to remain at their low level in the near future, and hence copper price is not likely to rebound substantially in 2009. As such, the Group had slowed down the progress on the development of the ores processing plant in Chile.

LIQUIDITY AND FINANCIAL RESOURCES

In the previous year, the Company had issued two series of zero coupon convertible notes with an aggregate principal amount of HK$70 million and HK$160 million respectively. The full amount of HK$70 million of the first convertible notes as well as HK$50 million of the second convertible notes were converted into ordinary shares of the Company during the last financial year. During the current year, the Company entered into an early redemption agreement for which HK$30 million of the second convertible notes were early redeemed. No convertible notes were converted into shares of the Company during current year and principal amount of HK$80 million of the second convertible notes remained outstanding as at 31 March 2009.

Apart from the convertible notes issued and converted as mentioned above, the Group generally finances its operations from internally generated cash flows and finance leases during the year under review. However, the Group sometimes finances its trading business by short term bank loans.

The Group's gearing ratio as at 31 March 2009 was 69.3% (2008: 60.9%), based on the total borrowings under finance leases, convertible notes and advance from a minority shareholder totaling HK$87.8 million (2008: HK$102.6 million) and the equity attributable to the equity holders of the Company of HK$126.7 million (2008: HK$168.5 million).

Of the Group's total borrowings, HK$84.1 million (2008: HK$7.7 million) is due within one year, HK$2.9 million (2008: HK$94.1 million) is due in more than one year but not exceeding two years, and HK$0.8 million (2008: HK$0.8 million) is due in more than two years but not exceeding five years.

As at 31 March 2009, the Group had bank balances and cash of approximately HK$187.1 million (2008: HK$257.6 million). The Group had also obtained banking facilities with a total amount of US$12.0 million (2008: US$12.0 million), equivalent to approximately HK$93.6 million (2008: approximately HK$93.6 million), of which approximately US$3.7 million was sanctioned by the bank to be utilised by the Group as at 31 March 2009 (2008: US$Nil). Bank deposits of approximately HK$23.0 million as at 31 March 2009 (2008: approximately HK$6.2 million) were pledged to obtain these banking facilities.

The operating cash flows of the Group are mainly denominated in HK dollars, US dollars, Australian dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in US dollars, Australian dollars and Chilean pesos. Foreign exchange exposure in respect of US dollars is considered to be minimal as HK dollars is pegged to US dollars. For other currencies, the Group will closely monitor the currency exposure and, when considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

PROSPECTS

The directors believe that the downturn in the demand and prices of commodities are normal in the ups and downs of economic cycles. Despite the global financial crisis, most of the major economies have implemented various rescuing plans to tackle the crisis. We expect prices of metals and minerals to have reached their bottom and will rebound when global economy recovers. Hence, the directors remain reasonably optimistic about the future prospects of the Group's metals and minerals trading business as well as the ores processing and trading business. The directors also believe that the investment in the joint venture company, TGLP, represents long term investment and will contribute to the Group's success in the ores processing and trading business and will enhance the Group's investment return in the long run.

In the meantime, the Group will monitor the impact of the financial crisis and the change of the worldwide economy and may take any action including the adjustment of the progress of the Group's projects if necessary.

CONTINGENT LIABILITIES

At 31 March 2009, the Company had provided a corporate guarantee of US$12.0 million (2008: US$12.0 million) to a bank in respect of banking facilities granted to the Group. The banking facilities of approximately US$3.7 million (2008: US$Nil) were sanctioned by the bank and could be utilised by the Group at the balance sheet date.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group employed 68 full time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In Chile and the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options may be granted to eligible employees in accordance with the terms of the Company's share option scheme.

CONCLUSION

On behalf of the board of directors of the Company (the "Board"), I would like to thank shareholders for their continued support and I would also wish to take this opportunity to express my appreciation to my colleagues in the Board and all employees of the Group for their dedication and efforts in the past year.

By order of the Board

Cheung Ngan
Chairman

Hong Kong
16 July 2009

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of investment holding, metals and minerals trading, and processing of raw ores.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 96.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results of the Group for the last five financial reporting years and of its assets and liabilities at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group.

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**284,636**	251,287	56,469	105,273	182,169
LOSS BEFORE TAX	**(24,324)**	(44,736)	(13,936)	(15,547)	(5,831)
Tax	**–**	–	–	–	450
LOSS FOR THE YEAR	**(24,324)**	(44,736)	(13,936)	(15,547)	(5,381)
ATTRIBUTABLE TO:					
Equity holders of the Company	**(20,469)**	(44,000)	(14,440)	(11,043)	(823)
Minority interests	**(3,855)**	(736)	504	(4,504)	(4,558)
	(24,324)	(44,736)	(13,936)	(15,547)	(5,381)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**353,182**	380,655	35,479	29,389	47,353
TOTAL LIABILITIES	**(109,524)**	(106,055)	(13,935)	(3,591)	(4,765)
MINORITY INTERESTS	**(116,974)**	(106,135)	–	(370)	(4,874)
	126,684	168,465	21,544	25,428	37,714

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 18 and 19 to the financial statements, respectively.

CONVERTIBLE NOTES

Details of movements in the convertible notes of the Company are set out in note 25 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 26 and 27 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company 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 during the year are set out in note 28 to the financial statements. Detail of movements in the reserves of the Group during the year are presented in the consolidated statement of changes in equity on pages 29 and 30.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no accumulated profits available for distribution. Under the Companies Act 1981 of Bermuda (as amended from time to time), the contributed surplus of the Company in the amount of HK$87,109,000 as at 31 March 2009 (2008: HK$87,109,000) is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total
Sales	
– the largest customer	39%
– Five largest customers	100%
Purchases	
– The largest supplier	35%
– Five largest suppliers	100%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS

The directors of the Company during the year were:

Executive directors
Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold *(Deputy Chairman)*

Non-executive director
Mr. Li Shaofeng

Independent non-executive directors
Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Mr. Chan Chak Paul

Mr. Cheung Ngan and Mr. Chan Francis Ping Kuen shall retire from the Board in accordance with the Company's bye-laws, and being eligible, shall offer themselves for re-election as directors of the Company at the forthcoming annual general meeting.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors 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.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004, constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pursuant to the Scheme, the Board is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the Scheme are set out in note 27 to the financial statements.

No share options were granted during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

There were no new share options granted to directors under the Scheme during the year and there were no outstanding share options granted to the directors at the balance sheet date.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the year are set out in notes 29 and 33(d) to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

On 16 October 2007, Minera Catania Verde S.A., which became a subsidiary of the Company in March 2008, entered into a master agreement (the "Master Agreement") with CAH Reserve S.A., a company in which the chairman and the substantial shareholder of the Company, Mr. Cheung Ngan, and the deputy chairman of the Company, Mr. Chan Chung Chun, Arnold, jointly and indirectly own 44% interests. The transactions contemplated under the Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of the Master Agreement are set out in note 33(c) to the financial statements.

The independent non-executive directors of the Company noted that no transaction was entered into under the Master Agreement during the year.

The auditors of the Company has confirmed that (i) no transaction was entered into under the Master Agreement during the year; and (ii) the annual cap for the year ended 31 March 2009 had not been exceeded.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed 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 for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares or underlying shares Long position	Number of shares or underlying shares Short position	Approximate percentage of shareholding in the Company/associated corporation
Mr. Cheung Ngan	Beneficial owner	311,232,469	–	24.73%
	Interest of controlled corporation	10,000 (Note 1)	–	20%
Mr. Chan Chung Chun, Arnold	Interest of controlled corporation	10,000 (Note 2)	–	20%

Note:

1. The 10,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Cheung Ngan held 50% interest in Great Base Holdings Limited and 51% interest in CM Universal Corporation.

2. The 10,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Chan Chung Chun, Arnold held 50% interest in Great Base Holdings Limited and 49% interest in CM Universal Corporation.

Save as disclosed above, as at the balance sheet date, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or 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 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed 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 for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the sections above with heading "Connected Transactions" and "Continuing Connected Transactions" set out on page 12 of this report, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2009, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company
Mr. Cheung Ngan	Beneficial owner	311,232,469	–	24.73%
Credit Suisse (Hong Kong) Limited	Beneficial owner	98,110,000 (Note 1)	–	7.80%
Credit Suisse Group AG	Interest of controlled corporation	98,110,000 (Note 1)	–	7.80%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company
Plus All Holdings Limited	Beneficial owner	125,000,000 (Note 2)	–	9.93%
Shougang Holding (Hong Kong) Limited	Interest of controlled corporation	125,000,000 (Note 2)	–	9.93%
DnB NOR Asset Management (ASIA) Ltd	Beneficial owner	78,000,000	–	6.20%

Note:

1) Included 80,000,000 underlying shares representing the number of shares that are convertible by the Second Convertible Notes (please refer to note 25 to the financial statements for details). None of the convertible notes were converted as at 31 March 2009. The other 18,110,000 shares represent beneficial interest. Credit Suisse (Hong Kong) Limited is beneficially owned by Credit Suisse Group AG. Accordingly, Credit Suisse Group AG is deemed to be interested in the shares and underlying shares in which Credit Suisse (Hong Kong) Limited is interested by virtue of the SFO.

2) The 125,000,000 shares represent beneficial interest of Plus All Holdings Limited. Plus All Holdings Limited is owned by Shougang Holding (Hong Kong) Limited. Accordingly, Shougang Holding (Hong Kong) Limited is deemed to be interested in the shares in which Plus All Holdings Limited is interested by virtue of the SFO.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	52	Chairman, Executive Director	11	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over 25 years working experience in corporate management and knowledge of PRC investments.

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Chung Chun, Arnold	49	Deputy Chairman, Executive Director	14	Joined the Group in April 1995 and is responsible for general corporate investment and the financial advisory functions of the Group. He has extensive working experience in accountancy and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is also the independent non-executive director of Shougang Concord Century Holdings Limited ("Shougang Century") since October 2007.
Mr. Li Shaofeng	42	Non-Executive Director	2	Appointed as non-executive director of the Company in October 2007. Mr. Li holds a Bachelor's Degree in automation from the University of Science and Technology Beijing. He joined Shougang Corporation in 1989. Mr. Li joined the Shougang Century in March 2000 and was appointed as Deputy Managing Director of the company. He was subsequently appointed as the Managing Director of Shougang Century and Deputy Managing Director of Shougang Holding (Hong Kong) Limited in September 2003 and September 2007 respectively. He had acted as Managing Director of Shougang Concord Grand (Group) Limited in 2002. In all, Mr. Li has extensive experience in management and investment of listed companies, sino-foreign joint ventures and steel industry.

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Francis Ping Kuen	50	Independent Non-Executive Director	4	Appointed as independent non-executive director of the Company in September 2004. Mr. Chan holds a Bachelor's Degree in economics from the University of Sydney in Australia. He is a member of The Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. Mr. Chan is currently the directors of several companies listed on the main board and the Growth Enterprise Market of the Stock Exchange.
Mr. Hu Guang	42	Independent Non-Executive Director	4	Appointed as independent non-executive director of the Company in September 2004. Mr. Hu holds a Master's Degree of Business Administration from Tianjin University in the PRC. Mr. Hu has over 18 years experience in investment, finance and property development in the PRC.

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Chak Paul	48	Independent Non-Executive Director	4	Appointed as independent non-executive director of the Company in February 2005. Mr. Chan has extensive experience in trading industries and PRC investment. Mr. Chan used to hold several senior management positions and directorship in both foreign and local companies, and listed company of the Stock Exchange.

PURCHASE, REDEMPTION OR SALE 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.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITORS

The financial statements have been audited by BDO Limited. BDO Limited were appointed as auditors of the Company on 18 May 2009 to fill the casual vacancy caused by the merger of business of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) with BDO Limited and the resulting resignation of Shu Lun Pan Hong Kong CPA Limited as auditors of the Company.

BDO Limited which retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheung Ngan
Chairman

Hong Kong
16 July 2009

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2009 except that: (i) the roles of chairman and chief executive officer are not separated and are performed by the same individual as the Board considered that non-segregation would not result in considerable concentration of power; and (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election.

THE BOARD

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board comprises two executive directors, one non-executive director and three independent non-executive directors. More than one-third of the Board are independent non-executive directors and one of them has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Each of the independent non-executive directors has made an annual confirmation of independence, and the Company considers that all of the independent non-executive directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings were scheduled to be held at about quarterly interval. The attendance of the directors at the Board meetings for the year ended 31 March 2009 is as follows:

Name of Directors	Number of attendance
Mr. Cheung Ngan	3/4
Mr. Chan Chung Chun, Arnold	4/4
Mr. Li Shaofeng	3/4
Mr. Chan Francis Ping Kuen	3/4
Mr. Hu Guang	3/4
Mr. Chan Chak Paul	3/4

The current non-executive directors of the Company are not appointed for a specific term as required by code provision A.4.1. The relevant bye-law of the Company provides that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years at the Company's annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considers that the non-segregation does not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

BOARD COMMITTEE

The Board has established two committees with clearly-defined written terms of reference. The independent views and recommendations of the two committees ensure proper control of the Group and the continual achievement of the high standard of corporate governance practices.

Remuneration Committee

The Remuneration Committee (the "Committee") is composed of two independent non-executive directors and one executive director, being Mr. Chan Chak Paul, Mr. Chan Francis Ping Kuen and Mr. Cheung Ngan respectively. Two meetings were held during the year ended 31 March 2009 and all members of the Committee had attended the meeting.

The brief duties of the Committee as per the terms of reference are as follows:

i) to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
ii) to have the delegated responsibilities to determine the specific remunerations package of all executive directors; and
iii) to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of directors.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary.

Audit Committee

The Company has an Audit Committee comprising three independent non-executive directors, Mr. Hu Guang, Mr. Chan Chak Paul, and Mr. Chan Francis Ping Kuen who serves as the chairman of the Audit Committee. Two meetings were held during the year ended 31 March 2009 and the attendance of the member of the Audit Committee is as follows:

Name of Directors	Number of attendance
Mr. Chan Francis Ping Kuen	2/2
Mr. Hu Guang	2/2
Mr. Chan Chak Paul	2/2

During the year ended 31 March 2009, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2008, the interim report for the six months ended 30 September 2008 and the principal duties of the Audit Committee include:

i) monitoring integrity of the Company's financial statements and reports;
ii) reviewing of financial controls, internal controls, and risk management system; and
iii) reviewing of the Company's financial and accounting policies and practices.

The Audit Committee is authorized by the Board to investigate any activity and seek any information it requires within its terms of reference. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if considered this necessary.

NOMINATION OF DIRECTORS

The directors are responsible for identifying suitable qualified individual and making recommendation to the Board for consideration. The Board will apply certain criteria on selection such as the consideration of what business or financial experience that the nominated individual can bring into the Board, his or her capabilities to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policies and strategies, as well as to the effective ways of discharging the Board's responsibilities.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Model Code during the year under review.

AUDITORS' REMUNERATION

For the year ended 31 March 2009, the auditors of the Company received approximately HK$470,000 for audit service and no fee was payable for other non-audit services.

INTERNAL CONTROL

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

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows for that period. The directors ensure that the financial statements for the year ended 31 March 2009 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on the going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The annual general meetings or other general meetings of the Company provide opportunities for communication between the shareholders and the Board. Separate resolutions on each substantial issue are proposed at shareholders' meeting for shareholders consideration and approval.

VOTING BY POLL

The voting procedures for demanding a poll by shareholders were written in the circular of the notice of annual general meeting, and the voting procedures were explained in the annual general meeting.

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

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To the Shareholders of Sinocop Resources (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Sinocop Resources (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 96, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2009 and of the loss and cash flows of the Group 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.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752
Hong Kong, 16 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	**2009 HK$'000**	2008 HK$'000
Turnover	5	**284,636**	251,287
Cost of sales		**(252,564)**	(231,725)
Gross profit		**32,072**	19,562
Other income and gains	5	**2,996**	5,462
Selling and distribution costs		**(1,882)**	(1,522)
Administrative expenses		**(43,099)**	(58,326)
Finance costs	7	**(16,712)**	(12,514)
Share of profit of an associate	19	**2,301**	2,602
Loss before tax	10	**(24,324)**	(44,736)
Tax	11(a)	**–**	–
Loss for the year		**(24,324)**	(44,736)
Attributable to:			
Equity holders of the Company		**(20,469)**	(44,000)
Minority interests		**(3,855)**	(736)
		(24,324)	(44,736)
Loss per share	14		
– Basic and diluted (HK$)		**(0.0163)**	(0.0382)

The accompanying notes form part of these financial statements.

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**34,975**	20,557
Construction in progress	16	**39,556**	20,762
Prepayments for acquisition of water use rights and land use rights	17	**11,441**	–
Interests in associates	19	**2,248**	1,700
Goodwill	20	**38,807**	52,161
Other intangible assets	21	**6,445**	8,631
		133,472	103,811
Current assets			
Accounts receivable	22	**7,272**	–
Other receivables, deposits and prepayments		**18,160**	14,152
Value-added-tax recoverable		**7,224**	5,130
Pledged bank deposits	35	**22,996**	6,201
Cash and bank balances		**164,058**	251,361
		219,710	276,844
Current liabilities			
Accounts payable	23	**12,547**	–
Other payables and accruals		**8,444**	2,362
Receipts in advance		**196**	566
Obligations under finance leases	24	**6,937**	6,602
Convertible notes	25	**77,140**	–
Amount due to a minority shareholder	33(b)	**–**	1,075
Tax payable		**564**	564
		105,828	11,169
Net current assets		**113,882**	265,675
Total assets less current liabilities		**247,354**	369,486

The accompanying notes form part of these financial statements.

At 31 March 2009

	Notes	**2009 HK$'000**	2008 HK$'000
Non-current liabilities			
Obligations under finance leases	24	**3,696**	6,422
Convertible notes	25	**–**	88,464
		3,696	94,886
Net assets		**243,658**	274,600
EQUITY			
Share capital	26	**12,583**	12,583
Reserves		**114,101**	155,882
Equity attributable to equity holders of the Company		**126,684**	168,465
Minority interests		**116,974**	106,135
Total equity		**243,658**	274,600

On behalf of the Board

Cheung Ngan
Director

Chan Chung Chun, Arnold
Director

The accompanying notes form part of these financial statements.

For the year ended 31 March 2009

	Attributable to equity holders of the Company											
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 28(a))	Contributed surplus HK$'000 (Note 28(b))	Convertible notes equity reserve HK$'000 (Note 28(c))	Share options reserve HK$'000 (Note 28(d))	Foreign currency translation reserve HK$'000 (Note 28(e))	Investment revaluation reserve HK$'000 (Note 28(f))	Capital reserve HK$'000 (Note 28(g))	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007	10,333	6,540	20,566	–	–	–	1,274	–	(17,169)	21,544	–	21,544
Change in fair value of available-for-sale investments	–	–	–	–	–	–	1,509	–	–	1,509	–	1,509
Exchange differences arising on translation of overseas operations	–	–	–	–	–	11,190	–	–	–	11,190	(194)	10,996
Total income and expense recognised directly in equity	–	–	–	–	–	11,190	1,509	–	–	12,699	(194)	12,505
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	(2,783)	–	–	(2,783)	–	(2,783)
Loss for the year	–	–	–	–	–	–	–	–	(44,000)	(44,000)	(736)	(44,736)
Total recognised income and expense for the year	–	–	–	–	–	11,190	(1,274)	–	(44,000)	(34,084)	(930)	(35,014)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	107,065	107,065
Share-based payments	–	–	–	–	35,494	–	–	–	–	35,494	–	35,494
Equity component of First Convertible Notes	–	–	–	17,377	–	–	–	–	–	17,377	–	17,377
Equity component of Second Convertible Notes	–	–	–	39,308	–	–	–	–	–	39,308	–	39,308
Issue of shares upon conversion of First Convertible Notes	1,750	67,171	–	(17,377)	–	–	–	–	–	51,544	–	51,544
Issue of shares upon conversion of Second Convertible Notes	500	49,066	–	(12,284)	–	–	–	–	–	37,282	–	37,282
At 31 March 2008	12,583	122,777	20,566	27,024	35,494	11,190	–	–	(61,169)	168,465	106,135	274,600

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company											
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 28(a))	Contributed surplus HK$'000 (Note 28(b))	Convertible notes equity reserve HK$'000 (Note 28(c))	Share options reserve HK$'000 (Note 28(d))	Foreign currency translation reserve HK$'000 (Note 28(e))	Investment revaluation reserve HK$'000 (Note 28(f))	Capital reserve HK$'000 (Note 28(g))	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2008	12,583	122,777	20,566	27,024	35,494	11,190	–	–	(61,169)	168,465	106,135	274,600
Exchange differences arising on translation of overseas operations	–	–	–	–	–	(24,632)	–	–	–	(24,632)	(1,365)	(25,997)
Total expense recognised directly in equity	–	–	–	–	–	(24,632)	–	–	–	(24,632)	(1,365)	(25,997)
Loss for the year	–	–	–	–	–	–	–	–	(20,469)	(20,469)	(3,855)	(24,324)
Total recognised expense for the year	–	–	–	–	–	(24,632)	–	–	(20,469)	(45,101)	(5,220)	(50,321)
Share-based payments	–	–	–	–	2,633	–	–	–	–	2,633	–	2,633
Transfer to accumulated losses upon early redemption of Second Convertible Notes	–	–	–	(7,370)	–	–	–	–	7,370	–	–	–
Lapse of share options	–	–	–	–	(6,489)	–	–	–	6,489	–	–	–
Contributions from shareholder arising on acquisition of subsidiaries (Note 29)	–	–	–	–	–	–	–	687	–	687	459	1,146
Capital injection to a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	–	15,600	15,600
At 31 March 2009	12,583	122,777	20,566	19,654	31,638	(13,442)	–	687	(67,779)	126,684	116,974	243,658

The accompanying notes form part of these financial statements.

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(24,324)**	(44,736)
Adjustments for:			
Interest income	5	**(2,456)**	(3,205)
Interest expenses	7	**16,712**	12,514
Depreciation of property, plant and equipment	10	**1,161**	859
Gain on disposal of a subsidiary	5	**(16)**	–
Gain on disposal of available-for-sale investments	5	**–**	(2,105)
Gain on early redemption of convertible notes	5	**(230)**	–
Share-based payments		**2,633**	35,494
Share of profit of an associate		**(2,301)**	(2,602)
Operating cash flows before movements in working capital		**(8,821)**	(3,781)
(Increase)/decrease in accounts receivable		**(7,272)**	1,034
(Increase)/decrease in other receivables, deposits and prepayments		**(3,556)**	3,537
Increase in value-added-tax recoverable		**(2,094)**	(936)
Increase/(decrease) in accounts payable		**12,547**	(2,338)
Increase in other payables and accruals		**6,292**	606
(Decrease)/increase in receipts in advance		**(370)**	250
NET CASH USED IN OPERATING ACTIVITIES		**(3,274)**	(1,628)

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Disposal of a subsidiary	30	**(204)**	–
Acquisition of subsidiaries	29	**(999)**	62,892
Increase in pledged bank deposits		**(16,795)**	(5,525)
Dividend received from an associate		**1,846**	4,683
Payments to acquire property, plant and equipment		**(19,564)**	(3,905)
Payments to acquire water use rights and land use rights		**(11,441)**	–
Expenditure for construction in progress		**(18,433)**	(945)
Proceeds on disposal of available-for-sale investments		**–**	6,531
Interest received		**2,456**	3,205
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(63,134)**	66,936
FINANCING ACTIVITIES			
Interest paid		**(766)**	(1,380)
Finance lease interest paid		**(1,307)**	(144)
Net proceeds from issue of convertible notes		**–**	222,885
Payment for early redemption of convertible notes		**(27,000)**	–
Repayment of obligations under finance leases		**(4,584)**	(1,103)
Repayment to a minority shareholder, net		**(1,096)**	(31,410)
Capital injection to a subsidiary from a minority shareholder		**15,600**	–
Repayment to a director		**–**	(10,140)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(19,153)**	178,708
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		**(85,561)**	244,016
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,742)**	1,362
CASH AND BANK BALANCES AT BEGINNING OF YEAR		**251,361**	5,983
CASH AND BANK BALANCES AT END OF YEAR		**164,058**	251,361

The accompanying notes form part of these financial statements.

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**–**	–
Interests in subsidiaries	18	**223,447**	247,295
		223,447	247,295
Current assets			
Other receivables, deposits and prepayments		**155**	757
Cash and bank balances		**636**	9,369
		791	10,126
Current liabilities			
Other payables and accruals		**460**	480
Convertible notes	25	**77,140**	–
Tax payable		**12**	12
		77,612	492
Net current (liabilities)/assets		**(76,821)**	9,634
Total assets less current liabilities		**146,626**	256,929
Non-current liabilities			
Convertible notes	25	**–**	88,464
Net assets		**146,626**	168,465
EQUITY			
Share capital	26	**12,583**	12,583
Reserves	28	**134,043**	155,882
Total equity		**146,626**	168,465

On behalf of the Board

Cheung Ngan
Director

Chan Chung Chun, Arnold
Director

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

Sinocop Resources (Holdings) Limited (the "Company") is incorporated in Bermuda with limited liability. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (the "Group") are principally engaged in investment holding, trading of metals and minerals and processing of raw ores.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments-Reclassification of financial assets, has no material impact on the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(iii)
HKAS 23 (Revised)	Borrowing costs	(iii)
HKAS 27 (Revised)	Consolidated and separate financial statements	(iv)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(iii)
HKAS 39 (Amendment)	Eligible hedged items	(iv)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate	(iii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(iv)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(iii)
HKFRS 3 (Revised)	Business combinations	(iv)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(iii)
HKFRS 8	Operating segments	(iii)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 13	Customer loyalty programmes	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(iv)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)

The 2008 improvements to HKFRSs, published in October 2008, are effective for annual periods beginning on or after 1 January 2009 except the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009.

The 2009 improvements to HKFRSs, published in May 2009, are effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Effective date

(i) Annual periods beginning on or after 1 July 2008
(ii) Annual periods beginning on or after 1 October 2008
(iii) Annual periods beginning on or after 1 January 2009
(iv) Annual periods beginning on or after 1 July 2009
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of financial statements and statement of compliance

These financial statements have been prepared on the historical cost convention.

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Business combination

Acquisition of subsidiaries and businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisition of associates, if any, is included in interests in associates.

For the purpose of impairment testing, goodwill arising from an acquisition is 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. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever 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 any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less any impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate which includes any long-term interests that, in substance, form part of the Group's net investment in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interests in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the assets transferred, in which case, the full amount of losses is recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost thereof.

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The expected useful lives of property, plant and equipment are as follows:

Freehold land and buildings	20 years
Leasehold improvements	3 to 10 years
Plant and machinery	5 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

Assets held under finance leases are depreciated over the term of the relevant leases or, where it is likely the Group will obtain ownership of the assets, the expected useful life of the assets on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Construction in progress represents properties under construction for production, rental, or administrative purposes, which is stated at cost less any impairment loss and is not depreciated. Cost comprises the direct costs of construction, related professional fees, capitalised depreciation of machinery used for construction and capitalised borrowing costs on related borrowed funds. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and are amortised over the period of the lease on a straight-line basis, net of any impairment losses.

(i) Other intangible assets

Other intangible assets mainly represent water use rights which have indefinite useful lives. Other intangible assets with indefinite useful lives are measured initially at purchase cost and are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised.

(j) Impairment of tangible and intangible assets excluding goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment of tangible and intangible assets excluding goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

i) Financial assets

The Group's financial assets are classified into two categories: loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

i) Financial assets (Continued)

Available-for-sale financial assets (Continued)

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after their initial recognition, the estimated future cash flows of the financial assets have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

i) Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For accounts and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

i) Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

ii) Financial liabilities and equity instrument issued by the Group

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

ii) Financial liabilities and equity instrument issued by the Group (Continued)

Financial guarantee contract liabilities

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to pay for the loss the beneficiary of the guarantee (the "Holder") incurs because a specified debtor fails to make payment to the Holder in accordance with the terms of a debt instrument.

Where a company issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(n) if and when (i) it becomes probable that the holder of the guarantee will call upon the company under the guarantee, and (ii) the amount of that claim on the company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Compound instruments

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

ii) Financial liabilities and equity instrument issued by the Group (Continued)

Compound instruments (Continued)

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

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

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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 expenditure 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.

(o) Taxation

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

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

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

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable, liabilities and contingent liabilities over the cost of the business combination.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (the "functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing on the balance sheet date.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Employees' benefits

i) Short term benefits

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

ii) Employee retirement scheme

The Group operates a Mandatory Provident Fund ("MPF") Scheme for its employees in Hong Kong. Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of MPF are held separately from those of the Group in an independently administered fund.

(r) Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. 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 bases:

i) revenue from sale of goods are recognised 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; and

ii) interest income is recognised as it accrues using the effective interest method.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to the external parties.

In respect of geographical segment reporting, revenue is based on the market segments in which the customers are located. Total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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 and 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

The key assumptions concerning the future and other key sources of estimation of uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimation of metal ore price

The Group trades in raw metal ores including iron and copper ores. The Group negotiates ore prices with customers and suppliers independently. In both cases, the Group determines prices by reference to the ore prices of the relevant ore year as published in the leading industry reports and bulletins (the "Published Price"). As the Published Price for the current ore year may not be known until much later in the next ore year, the Group will agree provisional prices with customers and suppliers based on their best estimate of the ore price for the current year by reference to the Published Price of the previous year and current market conditions. The Group will adjust for the price variations and recognise the financial effects thereof in the following year when the Published Price is available.

Impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, the Group uses independent valuations which are based on various assumptions and estimates.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. TURNOVER, OTHER INCOME AND GAINS

Turnover, which is also the revenue, represents the invoiced value of goods supplied to customers and is analysed as follows:

	2009	2008
	HK$'000	HK$'000
Turnover		
Sale of metals and minerals	**284,636**	251,287
Other income and gains		
Interest income	**2,456**	3,205
Gain on disposal of a subsidiary	**16**	–
Gain on early redemption of convertible notes	**230**	–
Sundry income	**294**	152
Gain on disposal of available-for-sale investments	**–**	2,105
	2,996	5,462

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

For the year ended 31 March 2009

	Metals and minerals trading HK$'000	Ores processing and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	284,636	–	–	284,636
Segment results	16,455	(9,642)	–	6,813
Unallocated income				687
Unallocated corporate expenses				(17,413)
Finance costs				(16,712)
Share of profit of an associate	2,301	–	–	2,301
Loss for the year				(24,324)
Segment assets	62,298	284,617	–	346,915
Interests in associates	2,248	–	–	2,248
Unallocated assets				4,019
Total assets				353,182
Segment liabilities	18,910	11,667	–	30,577
Unallocated liabilities				78,947
Total liabilities				109,524
Depreciation of property, plant and equipment	–	5,961	723	6,684
Capital expenditure incurred during the year	–	50,046	54	50,100

6. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

For the year ended 31 March 2008

	Metals and minerals trading HK$'000	Ores processing and trading HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	251,287	–	–	251,287
Segment results	12,904	(2,037)	–	10,867
Unallocated income				4,902
Unallocated corporate expenses				(50,593)
Finance costs				(12,514)
Share of profit of an associate	2,602	–	–	2,602
Loss for the year				(44,736)
Segment assets	39,740	318,344	–	358,084
Interests in associates	1,700	–	–	1,700
Unallocated assets				20,871
Total assets				380,655
Segment liabilities	421	14,806	–	15,227
Unallocated liabilities				90,828
Total liabilities				106,055
Depreciation of property, plant and equipment	–	392	733	1,125
Capital expenditure incurred during the year	–	4,825	1,655	6,480

6. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

During the years ended 31 March 2009 and 2008, the Group's business revenue was all generated from the People's Republic of China (the "PRC"), including Hong Kong. Accordingly, no geographical segments information regarding the Group's business revenue and results is presented.

The following is an analysis of the carrying amount of segment assets and capital expenditure incurred by the geographical areas in which the assets are located:

	Carrying amount of segment assets		**Capital expenditure incurred**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (including Hong Kong)	**176,650**	250,327	**54**	1,655
South America	**138,913**	113,603	**50,046**	4,825
Asia Pacific	**27,828**	7,946	**–**	–
Others	**9,791**	8,779	**–**	–
	353,182	380,655	**50,100**	6,480

7. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on convertible notes	**15,906**	11,090
L/C charges and trust receipt loans interest	**766**	1,380
Finance charges on obligations under finance leases	**1,307**	144
Total interest expenses	**17,979**	12,614
Less: amount capitalised into construction in progress	**(1,267)**	(100)
	16,712	12,514

The borrowing costs have been capitalised at a rate of 11.34% (2008: 11.51%) per annum.

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

For the year ended 31 March 2009

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors				
Mr. Cheung Ngan	–	895	12	907
Mr. Chan Chung Chun, Arnold	–	351	12	363
Sub-total	–	1,246	24	1,270
Non-executive director				
Mr. Li Shaofeng (Note)	(10)	–	–	(10)
Independent non-executive directors				
Mr. Chan Francis Ping Kuen	100	–	–	100
Mr. Hu Guang	100	–	–	100
Mr. Chan Chak Paul	100	–	–	100
Sub-total	300	–	–	300
Total	290	1,246	24	1,560

8. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2008

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors				
Mr. Cheung Ngan	–	903	12	915
Mr. Chan Chung Chun, Arnold	–	351	12	363
Sub-total	–	1,254	24	1,278
Non-executive director				
Mr. Li Shaofeng (Note)	10	–	–	10
Independent non-executive directors				
Mr. Chan Francis Ping Kuen	10	–	–	10
Mr. Hu Guang	10	–	–	10
Mr. Chan Chak Paul	10	–	–	10
Sub-total	30	–	–	30
Total	40	1,254	24	1,318

Note: During the year, Mr. Li Shaofeng has unconditionally agreed to waive his entitlement to a director's fee of HK$10,000 for the year ended 31 March 2008.

The remuneration of each of the directors for both the current and prior years were below HK$1,000,000.

During the year, there were no arrangements under which a director waived or agreed to waive any remuneration, except Mr. Li Shaofeng unconditionally waived his entitlement to a director's fee of HK$100,000 in respect of the year ended 31 March 2009. No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2009 and 2008.

During the years ended 31 March 2009 and 2008, no share options were granted to the directors.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2008: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining three (2008: three) non-director highest paid individuals are as follows:

	2009 **HK$'000**	2008 HK$'000
Basic salaries, allowances and benefits in kind	**2,116**	1,129
Pension contributions	**28**	36
	2,144	1,165

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	2009	2008
HK$Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

10. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	**474**	500
Exchange losses, net	**36**	533
Operating lease rentals on leasehold land and buildings	**4,602**	2,706
Project termination costs (Note)	**4,797**	–
Depreciation of property, plant and equipment	**6,684**	1,125
Less: amount capitalised into construction in progress	**(5,523)**	(266)
	1,161	859
Staff costs (including directors' remuneration – Note 8)		
– Salaries and wages	**8,937**	4,364
– Other benefits	**694**	103
– Share-based payments	**2,633**	35,494
– Pension contributions	**163**	141
	12,427	40,102

Note: As detailed in note 33(d) to the financial statements, the Group reached a termination agreement in relation to the acquisition of Bellavista Holding Group Limited on 4 February 2009. The related professional fees and costs incurred for the preparation work on the mining site totalling HK$4,797,000 were charged to profit or loss during the year.

11. TAX

(a) No Hong Kong profits tax has been provided for the Company and its subsidiaries as the Group sustained a loss for the year (2008: HK$Nil).

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.

As at 31 March 2009, subject to the agreement by the Inland Revenue Department, the Group has unused tax losses of HK$67,787,000 (2008: HK$51,507,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses and temporary differences due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

(b) Reconciliation between the tax in the consolidated income statement and loss before tax at applicable tax rates is as follows:

	2009 HK$'000	**%**	2008 HK$'000	%
Loss before tax	**(24,324)**		(44,736)	
Tax credit at the applicable rates	**(4,056)**	**16.67**	(7,819)	17.48
Non-taxable revenue	**(3,990)**	**16.40**	(561)	1.25
Non-deductible expenses	**5,740**	**(23.60)**	5,640	(12.61)
Share of profit of an associate	**(380)**	**1.56**	(455)	1.02
Effect of tax losses not recognised	**2,686**	**(11.04)**	3,204	(7.16)
Others	**–**	**–**	(9)	0.02
Tax and effective tax rate for the year	**–**	**–**	–	–

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company includes a loss of HK$17,983,000 (2008: HK$34,084,000) which has been dealt with in the financial statements of the Company and disclosed in note 28.

13. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the year ended 31 March 2009 (2008: HK$Nil).

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	HK$'000
Loss for the year attributable to the equity holders of the Company	**(20,469)**	(44,000)

	2009	2008
	Number	Number
Weighted average number of ordinary shares	**1,258,296,800**	1,151,906,300

Diluted loss per share for the years ended 31 March 2009 and 2008 are the same as the basic loss per share as the share options granted and convertible notes outstanding at the year end had an anti-dilutive effect on the basic loss per share for these years.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 April 2007	–	1,612	–	2,845	4,457
Through acquisition of a subsidiary	2,325	–	16,884	875	20,084
Additions	–	–	3,471	1,698	5,169
Exchange realignment	100	–	1,212	44	1,356
At 31 March 2008	2,425	1,612	21,567	5,462	31,066
Through acquisition of a subsidiary	–	1,487	–	538	2,025
Additions	–	19	22,933	1,925	24,877
Exchange realignment	(621)	–	(6,534)	(330)	(7,485)
At 31 March 2009	**1,804**	**3,118**	**37,966**	**7,595**	**50,483**
Accumulated depreciation:					
At 1 April 2007	–	552	–	2,435	2,987
Through acquisition of a subsidiary	–	–	5,813	267	6,080
Charge for the year	106	266	255	498	1,125
Exchange realignment	15	–	287	15	317
At 31 March 2008	121	818	6,355	3,215	10,509
Through acquisition of a subsidiary	–	223	–	79	302
Charge for the year	94	492	5,275	823	6,684
Exchange realignment	(35)	–	(1,860)	(92)	(1,987)
At 31 March 2009	**180**	**1,533**	**9,770**	**4,025**	**15,508**
Carrying amount:					
At 31 March 2009	**1,624**	**1,585**	**28,196**	**3,570**	**34,975**
At 31 March 2008	2,304	794	15,212	2,247	20,557

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Since the cost of the freehold land and buildings cannot be allocated reliably between the land and building elements, the entire amount of freehold land is included in the cost of freehold land and buildings in property, plant and equipment. The freehold land and buildings of the Group are situated in Chile.

(ii) The net book value of the Group's assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 31 March 2009 amounted to HK$10,945,000 (2008: HK$12,426,000). The related depreciation charge was HK$3,858,000 (2008: HK$570,000).

The Company

	Equipment HK$'000
Cost:	
At 1 April 2007, 31 March 2008 and 2009	131
Accumulated depreciation:	
At 1 April 2007, 31 March 2008 and 2009	131
Carrying amount:	
At 31 March 2009	**–**
At 31 March 2008	–

16. CONSTRUCTION IN PROGRESS

	The Group	
	2009 HK$'000	2008 HK$'000
At 1 April	**20,762**	–
Arising on acquisition of a subsidiary	**–**	18,471
Expenditure recognised in the course of construction	**25,223**	1,311
Exchange realignment	**(6,429)**	980
At 31 March	**39,556**	20,762

17. PREPAYMENTS FOR ACQUISITION OF WATER USE RIGHTS AND LAND USE RIGHTS

During the year, the Group made prepayments for the acquisition of water use rights and land use rights in Chile. The Group is in the process of applying the related ownership certificates as at 31 March 2009.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**98,381**	102,237
Due from subsidiaries	**774,832**	795,301
Due to subsidiaries	**(18,475)**	(18,952)
	756,357	776,349
	854,738	878,586
Less: Provision for impairment	**(631,291)**	(631,291)
	223,447	247,295

Amounts due from/(to) subsidiaries are unsecured and interest free. The Company manages the funding of the subsidiaries collectively and the net balance due from subsidiaries in substance forms part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2009	2008	
Directly held by the Company					
China Elegance Holdings Limited	British Virgin Islands	US$1,000	**100%**	100%	Investment holding
Indirectly held by the Company					
Apex Winner Limited	Hong Kong	HK$1	**100%**	100%	Provision of management services
CE Investment Limited	Samoa	US$1	**100%**	100%	Investment holding
Cheuk Yiu Investment Limited	Samoa	US$397,436	**100%**	100%	Investment holding
China Elegance Mining Company Limited	British Virgin Islands/ PRC	US$1	**100%**	100%	Trading of metals and minerals
China Elegance Resources Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Grand Capital Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Hero Gain Limited	Hong Kong	HK$100	**100%**	100%	Provision of management services

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2009	2008	
Hong Kong Cable Services Co. Limited	Hong Kong/ PRC	HK$100	**100%**	100%	Trading of computer hardware and software, provision of computer maintenance services and software development
Kind Success Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
Legend World Group Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
Shui Yuen (Manganese) Group Limited	British Virgin Islands	US$1	**100%**	100%	Trading of metals and minerals
Zhong Xing Heng He Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Tong Guan La Plata Company Limited ("TGLP")	British Virgin Islands	US$50,000,000	**60%#**	57%#	Investment holding
Profit Way Group Limited	British Virgin Islands	US$100,000	**60%#**	57%#	Investment holding
Minera Catania Verde S. A.	Chile	US$100,000	**60%#**	57%#	Processing of copper ores

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2009	2008	
Catania Resources Limited *	British Virgin Island	US$1	**60%**	–	Investment holding
Loyal Dragon Development Limited *	Hong Kong	HK$1	**60%**	–	Provision of management services

* Subsidiary acquired during the year.

\# Proportion of equity interest held indirectly by the Company is determined based on the amount of capital paid by the Group at 31 March 2009 and 2008. On 14 July 2008, the Group contributed the remaining capital of US$6,000,000 to TGLP and the Group's equity interest was increased to 60% as stipulated in the joint venture agreement dated 16 October 2007.

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

19. INTERESTS IN ASSOCIATES

	The Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**2,248**	1,702
Due to associates	**–**	(2)
	2,248	1,700

19. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's associates as at 31 March 2009 are as follows:

Name of associate	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2009	2008	Principal activities
China Anshan Corporation Sdn. Bhd. #*	Corporate	Malaysia	**49%**	49%	Investment holding
Terengganu Anshan Iron & Steel Sdn. Bhd. #*	Corporate	Malaysia	**24%**	24%	Exploration and extraction of iron ores
TAM Mining Sdn. Bhd.	Corporate	Malaysia	**25%**	25%	Mining and refining of iron ores

\# As at 31 March 2009, these associates had deficiency in net assets in excess of the Group's costs of investments and were not equity accounted for. The Group has incorporated the losses of these associates to the extent of the investment costs.

* Not audited by BDO Limited or any other firms of BDO International.

The summarised financial information of the Group's associates is as follows:

	2009 HK$'000	2008 HK$'000
Total assets	**16,659**	14,950
Total liabilities	**(9,162)**	(10,126)
Net assets	**7,497**	4,824
Group's share of net assets	**2,248**	1,702
Turnover	**35,949**	29,569
Profit for the year	**9,790**	11,100
Group's share of profit for the year	**2,301**	2,602

20. GOODWILL

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**52,161**	–
Arising on acquisition of a subsidiary	**–**	50,003
Exchange realignment	**(13,354)**	2,158
At 31 March	**38,807**	52,161

Goodwill arising on acquisition of a subsidiary during the year ended 31 March 2008 is allocated to the ores processing business segment and is tested for impairment at least annually.

The directors of the Company have assessed the recoverable amount of the ores processing business based on the value in use calculations and by reference to a valuation performed by an independent firm of professional valuers. The value in use calculations use cash flow projections based on financial budgets approved by management covering a ten-year period from 1 April 2009 to reflect management's long term commitments to the ores processing business and the expected useful lives of the processing plant and machinery the Group has invested or will invest.

Key assumptions used for value in use calculations:

	Percentage
Gross profit margin	35.76
Discount rate	22.66

Management determined the budgeted gross profit margin based on relevant data pertaining to the various economies and the related industry. The discount rates used reflect specific risks relating to the relevant business.

The recoverable amount of the goodwill determined by the directors in the above manner suggested that there was no impairment in the value of goodwill as at 31March 2009 and 2008.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

21. OTHER INTANGIBLE ASSETS

	The Group		
	Water use rights	**Other**	**Total**
	HK$'000	HK$'000	HK$'000
Through acquisition of a subsidiary	8,256	17	8,273
Exchange realignment	357	1	358
At 31 March 2008	8,613	18	8,631
Exchange realignment	(2,181)	(5)	(2,186)
At 31 March 2009	**6,432**	**13**	**6,445**

The water use rights represent the perpetual rights for the use of water supply in Chile. These rights have indefinite useful lives and are stated at cost.

The directors determined the recoverable amount of water use rights in the manner as detailed in note 20 to the financial statements which suggested that there was no impairment in the value of water use rights as at 31 March 2009 and 2008.

22. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable at the balance sheet date, based on the invoice date, was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 3 months	**5,077**	–
4 to 6 months	**2,195**	–
	7,272	–

The credit period granted by the Group to customers ranges from 30 days to 90 days.

Accounts receivable aged within 3 months were neither past due nor impaired and aged between 4 to 6 months were past due but not impaired. Accounts receivable relate to independent customers that have a good trade record with the Group and were fully settled up to the date of this report.

23. ACCOUNTS PAYABLE

The ageing analysis of accounts payable as at the balance sheet date, based on the invoice date, was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 1 month	**12,547**	–

The credit period from the Group's trade creditors is 30 days to 90 days.

24. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2009, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,700**	7,653	**6,937**	6,602
In the second to fifth year inclusive	**3,943**	6,804	**3,696**	6,422
	11,643	14,457	**10,633**	13,024
Less: Future finance charges	**(1,010)**	(1,433)		
Present value of lease obligations	**10,633**	13,024		

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. The average lease term is two to three years. As at 31 March 2009, the weighted average effective borrowing rate was 10.62% (2008: 11.51%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

25. CONVERTIBLE NOTES

First Convertible Notes

On 18 July 2007, the Company issued a series of zero coupon convertible notes due in year 2009 in an aggregate principal amount of HK$70,000,000 to Plus All Holdings Limited and six other subscribers ("First Convertible Notes").

The holders of the First Convertible Notes had the rights to convert the outstanding principal amount of each First Convertible Note of denomination of HK$1,000,000 each in whole into the ordinary shares of the Company at an initial conversion price of HK$0.40 per share (subject to adjustment) at any time from the date of issue until a date falling 14 business days prior to the maturity date. On the maturity date, the remaining outstanding First Convertible Notes could be redeemed by the Company at the outstanding principal amount of the First Convertible Notes together with the redemption premium equals to 4% on the outstanding principal amount. The maturity date of the First Convertible Notes was the second anniversary of the date of issue.

During the year ended 31 March 2008, the entire amount of the First Convertible Notes was converted into 175,000,000 new ordinary shares of the Company at the conversion price of HK$0.40 per share.

25. CONVERTIBLE NOTES (Continued)

Second Convertible Notes

On 31 August 2007, the Company issued a series of zero coupon convertible notes due on 31 August 2009 in an aggregate principal amount of HK$160,000,000 to Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Singapore Branch ("Second Convertible Notes").

The holders of the Second Convertible Notes have the rights to convert the outstanding principal amount of each Second Convertible Note of denomination of HK$1,000,000 each in whole into the ordinary shares of the Company at an initial conversion price of HK$1.00 per share (subject to adjustment) at any time from 1 November 2007 until a date falling 14 business days prior to the maturity date. On the maturity date, the remaining outstanding Second Convertible Notes will be redeemed by the Company at the outstanding principal amount of the Second Convertible Notes together with the redemption premium equals to 4% on the outstanding principal amount. The maturity date of the Second Convertible Notes is the second anniversary of the date of issue.

During the year ended 31 March 2008, HK$50,000,000 of the Second Convertible Notes was converted into 50,000,000 new ordinary shares of the Company at the conversion price of HK$1.00 per share.

On 9 December 2008, the Company entered into an agreement in relation to the early redemption of the Second Convertible Notes with the principal amount of HK$30 million. Pursuant to the agreement, the principal amount of the Second Convertible Notes of HK$30 million was redeemed by payment of HK$27 million to the subscriber, and the subscriber agreed to waive all its entitlement of the redemption premium, being an amount equal to 4% on the principal amount of the Second Convertible Notes upon original maturity on 31 August 2009.

25. CONVERTIBLE NOTES (Continued)

The convertible notes issued during the year ended 31 March 2008 have been split into the liability and equity components as follows:

	First Convertible Notes	**Second Convertible Notes**
	HK$'000	HK$'000
Principal amount of convertible notes issued	70,000	160,000
Transaction costs	(2,171)	(4,944)
Net proceeds	67,829	155,056
Split into:		
Equity component	17,377	39,308
Liability component	50,452	115,748
	67,829	155,056
Movements of the liability component during the year:		
Liability component at the issuance date	50,452	115,748
Imputed interest expenses	1,092	9,998
Converted into shares of the Company	(51,544)	(37,282)
At 31 March 2008	–	88,464
Imputed interest expenses	–	15,906
Early redemption of convertible notes during the year	–	(27,230)
At 31 March 2009	**–**	**77,140**

Interest expenses on the First Convertible Notes and the Second Convertible Notes were calculated by applying the effective interest rate of approximately 20.12% per annum and 19.90% per annum on the liability component respectively.

26. SHARE CAPITAL

	2009		2008	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At beginning of year	**1,258,296,800**	**12,583**	1,033,296,800	10,333
Issue of shares upon conversion of First Convertible Notes (Note 25)	**–**	**–**	175,000,000	1,750
Issue of shares upon conversion of Second Convertible Notes (Note 25)	**–**	**–**	50,000,000	500
At end of year	**1,258,296,800**	**12,583**	1,258,296,800	12,583

27. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The Scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

27. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Pursuant to the Scheme, the Board is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or of any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK$1. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 27 December 2007, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

No option was granted under the Scheme during the year. The movements in the number of share options under the Scheme during the year were as follows:

Date of offer of grant	At beginning of year	Lapsed during the year	At end of year	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
11/07/2007	54,700,000	(10,000,000)	**44,700,000**	HK$0.86	HK$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	**5,000,000**	HK$2.95	HK$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
	59,700,000	(10,000,000)	**49,700,000**				

No options were exercised or lapsed during the year ended 31 March 2008.

27. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes model. The contractual life of the share options and expectations of early exercise are incorporated into the model.

Fair value of share options and assumptions:

	Offer of grant at	
	11 July 2007	**18 September 2007**
Fair value at measurement date	HK$0.65	HK$2.63
Share price at the date of offer of grant	HK$0.86	HK$2.90
Exercise price	HK$0.86	HK$2.95
Expected volatility	160.11%	163.08%
Expected life	2 years	2.53 to 6.53 years
Expected dividends	0%	0%
Risk-free interest rate	4.757%	4.272%

The Group recognised an equity-settled share-based payment expense of approximately HK$2,633,000 (2008: HK$35,494,000) during the year.

28. RESERVES

The 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 29 and 30 of the annual report.

The nature and purposes of reserves are set out below:

(a) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended) (the "Companies Act 1981").

28. RESERVES (Continued)

(b) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiary acquired over the nominal value of the Company's shares issued in exchange thereof, at the time of the Group reorganisation in preparation for the listing of the Company's shares.

Under the Companies Act 1981, a company may make distributions to its members out of the contributed surplus under certain circumstances prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

(c) Convertible notes equity reserve

Convertible notes equity reserve represents the value of the equity component of outstanding convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 3(k)(ii).

(d) Share options reserve

Share options reserve comprises the fair value of the estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3(r).

(e) Foreign currency translation reserve

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(p).

(f) Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy in note 3(k)(i).

28. RESERVES (Continued)

(g) Capital reserve

Capital reserve represents the excess of the net assets of the subsidiaries acquired by the Group from its shareholder over the consideration paid (Note 29). The excess is accounted for as contributions from shareholder and credited to capital reserve.

The Company

	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	6,540	87,109	–	–	(82,438)	11,211
Loss for the year	–	–	–	–	(34,084)	(34,084)
Share-based payments (Note 27)	–	–	–	35,494	–	35,494
Equity component of First Convertible Notes (Note 25)	–	–	17,377	–	–	17,377
Equity component of Second Convertible Notes (Note 25)	–	–	39,308	–	–	39,308
Issue of shares upon conversion of First Convertible Notes	67,171	–	(17,377)	–	–	49,794
Issue of shares upon conversion of Second Convertible Notes	49,066	–	(12,284)	–	–	36,782
At 31 March 2008	122,777	87,109	27,024	35,494	(116,522)	155,882
Loss for the year	–	–	–	–	(17,983)	(17,983)
Share-based payments (Note 27)	–	–	–	2,633	–	2,633
Lapse of share options	–	–	–	(6,489)	–	(6,489)
Transfer to accumulated losses upon early redemption of Second Convertible Notes	–	–	(7,370)	–	7,370	–
At 31 March 2009	**122,777**	**87,109**	**19,654**	**31,638**	**(127,135)**	**134,043**

29. ACQUISITION OF SUBSIDIARIES

On 30 April 2008 and 14 July 2008, the Group acquired 100% of the issued share capital of Catania Resources Limited and Loyal Dragon Development Limited at a consideration of HK$8 and HK$850,001 respectively from a company jointly controlled by Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold. These transactions are accounted for by the acquisition method of accounting. The total consideration comprised cash of HK$850,009.

The aggregate net assets acquired in these transactions are as follows:

	HK$'000
The carrying amount of net assets acquired:	
Property, plant and equipment	1,723
Other receivables	454
Cash and bank balances	5
Bank overdraft	(154)
Other payables	(11)
Amount due to holding company	(21)
Net assets	1,996
Total consideration satisfied by cash	(850)
Excess of the net assets acquired over the consideration paid credited to capital reserve	1,146
Attributable to:	
Equity holders of the Company	687
Minority interests	459
	1,146
Net cash outflow arising on acquisition:	
Consideration paid in cash	(850)
Cash and bank balances acquired	(149)
	(999)

29. ACQUISITION OF SUBSIDIARIES (Continued)

Since the acquisition, Catania Resources Limited and Loyal Dragon Development Limited did not contribute any revenue to the Group and has increased the loss of the Group by HK$1,777,000 for the year ended 31 March 2009.

Had the transactions been effected at the beginning of the year, the revenue of the Group would not change, and the loss for the year would have been HK$24,910,000. The directors consider that the pro forma information represents an appropriate measure of the performance of the combined Group on an annualised basis and provides a reference point for comparison in future periods.

30. DISPOSAL OF A SUBSIDIARY

On 31 August 2008, the Group disposed of its entire 51% interest in an inactive subsidiary to an independent third party for a consideration of US$51. Financial information on the total assets and total liabilities disposed of has not been shown in these financial statements as the directors consider that the amounts are insignificant to the Group.

31. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments contracted but not provided for in the financial statements:

	2009 **HK$'000**	2008 HK$'000
Acquisition of property, plant and equipment	**12,956**	–
Capital expenditure in respect of the construction of ores processing plant	**6,602**	2,926
	19,558	2,926

31. COMMITMENTS (Continued)

(b) Operating lease commitments

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**3,480**	487
After one year but within five years	**2,602**	–
	6,082	487

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

32. NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$5,313,000 (2008: HK$1,264,000).

33. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

(b) The amount due to a minority shareholder was unsecured, interest-free and was fully settled during the year.

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2009 and 2008:

33. RELATED PARTY TRANSACTIONS (Continued)

(c) On 16 October 2007, Minera Catania Verde S.A. ("Verde"), a subsidiary of the Company, entered into a master agreement (the "Master Agreement") with CAH Reserve S. A. ("CAH"), a related company in which Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold jointly and indirectly own 44% effective interest. Pursuant to the Master Agreement, Verde agrees to purchase and CAH agrees to exclusively supply and sell the copper ores extracted from CAH's mining concessions in Chile to Verde, free from all liens, charges and encumbrances.

The Master Agreement will subsist until terminated by Verde (at the discretion of Verde) by giving CAH not less than 6 months' written notice of termination any time after the 3rd anniversary of the Master Agreement.

There were no purchases from CAH during the years ended 31 March 2009 and 2008.

This related party transaction also constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(d) On 7 August 2007, China Elegance Resources Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with Ceasers Development Limited ("Ceasers Development") as vendor in relation to the acquisition of 60% (subject to adjustment) of the issued share capital of Bellavista Holding Group Limited ("Bellavista") for a consideration of HK$4,680,000,000 to be satisfied by the issue of 1,300,000,000 shares of the Company. Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold, beneficially owns 51% and 49% interest in Ceasers Development respectively.

As disclosed and explained in the Company's announcement on 4 February 2009, in view of the significant drop in the copper price and unsatisfactory delay in the mining site preparation work due to the unfavourable weather condition, the Company reached an agreement with the relevant parties to terminate the above sale and purchase agreement on 4 February 2009. The directors consider that the termination would not have any material adverse effect on the existing business operations or the financial positions of the Group.

(e) The remuneration of key management included directors' remuneration only which is disclosed in note 8 to the financial statements.

34. CONTINGENT LIABILITIES

As at 31 March 2009, the Company had provided a corporate guarantee of US$12,000,000 (2008: US$12,000,000), equivalent to approximately HK$93,600,000 to a bank in respect of banking facilities granted to the Group. At the balance sheet date, the bank had sanctioned facilities of US$3,700,000, equivalent to approximately HK$28,860,000 (2008: HK$Nil), to be utilised by the Group to settle amount due to a supplier in the unlikely event that the prices of ores are substantially higher than the prices previously agreed with the supplier (Note 4).

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the above guarantees. The Company has not recognised any deferred income in respect of the above guarantees as their fair values cannot be reliably measured and its transaction price was nil.

35. PLEDGED OF ASSETS

As at 31 March 2009, the Group pledged its bank deposits of approximately HK$22,996,000 (2008: HK$6,201,000) to secure banking facilities granted to the Group. Banking facilities of US$3,700,000, equivalent to approximately HK$28,860,000 (2008: HK$Nil), had been sanctioned to be utilised by the Group at the balance sheet date (Note 34).

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The capital structure of the Group consists of debts, which includes the convertible notes, the obligations under finance leases, advance from a minority shareholder and equity attributable to equity holders of the Company, comprising share capital and reserves.

36. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio at the balance sheet date was as follows:

	2009	2008
	HK$'000	HK$'000
Debts	**87,773**	102,563
Equity	**126,684**	168,465
Gearing ratio	**69.3%**	60.9%

37. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial risk management policies and practices described below.

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong and Chile. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. During the year, the Group had a significant concentration of credit risk as sales made to the largest customer and five largest customers accounted for 39% (2008: 43%) and 100% (2008: 100%) respectively of the total sales for the year.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade and other debts regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

37. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009					
Accounts payable	**12,547**	**12,547**	**12,547**	**–**	**–**
Other payables and accruals	**8,444**	**8,444**	**8,444**	**–**	**–**
Obligations under finance leases	**10,633**	**11,643**	**7,700**	**3,133**	**810**
Convertible notes	**77,140**	**83,200**	**83,200**	**–**	**–**
	108,764	**115,834**	**111,891**	**3,133**	**810**
2008					
Other payables and accruals	2,362	2,362	2,362	–	–
Amount due to a minority shareholder	1,075	1,075	1,075	–	–
Obligations under finance leases	13,024	14,457	7,653	5,981	823
Convertible notes	88,464	114,400	–	114,400	–
	104,925	132,294	11,090	120,381	823

37. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's fair value interest rate risk mainly arises from obligations under finance leases as disclosed in note 24. These financial liabilities were issued at fixed rates which expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk mainly arises from short term bank borrowings issued at variable rates for financing its purchase and freight and transaction costs in the ordinary course of business. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. At the balance sheet date, the Group had no borrowings which bear floating interest rates.

Foreign currency risk

The Group is exposed to currency risk primarily through transactions that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), Chilean Pesos ("CHP") and Australian dollars ("AUD").

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.

37. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2009			2008		
	USD'000	**AUD'000**	**CHP'000**	USD'000	AUD'000	CHP'000
Accounts receivable	**932**	**–**	**–**	–	–	–
Cash and bank balances and pledged bank deposits	**23,469**	**60**	**–**	30,087	967	–
Accounts payable	**(1,609)**	**–**	**–**	–	–	–
Other payables and accruals	**(983)**	**–**	**–**	(99)	–	(11,459)
Obligations under finance leases	**(1,226)**	**–**	**–**	(1,263)	–	–
	20,583	**60**	**–**	28,725	967	(11,459)

37. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

The following table indicates the approximate change in the Group's loss after tax and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2009			2008		
	Increase/ (decrease) in foreign exchange rate	**(Increase)/ decrease in loss after tax HK$'000**	**Effect on other components of equity HK$'000**	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease in loss after tax HK$'000	Effect on other components of equity HK$'000
AUD	**5%**	**16**	**–**	5%	342	–
	(5%)	**(16)**	**–**	(5%)	(342)	–
CHP	**–**	**–**	**–**	5%	(10)	–
	–	**–**	**–**	(5%)	10	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' loss for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2008.

37. FINANCIAL RISK MANAGEMENT (Continued)

Market price risk

At the balance sheet date, the Group is not exposed to any significant equity securities risk or commodity price risk.

Fair value risk

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008, except as at 31 March 2008, the fair value of convertible notes exceeded their carrying amount of HK$88,464,000 by approximately HK$2,747,000.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009 and 2008 may be categorised as follows:

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**172,931**	252,939
Pledged bank deposits	**22,996**	6,201
Financial liabilities		
Financial liabilities measured at amortised cost	**108,764**	104,925

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 16 July 2009.