SINOCOP

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

Stock Code: 00476

Annual Report 2011

Contents

Corporate Information

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)

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Mr. Chan Chak Paul

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISORS IN HONG KONG

D.S. Cheung & Co.
29/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

BRANCH REGISTRARS IN HONG KONG

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

STOCK CODE

0476

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL REGISTRARS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Mr. Chan Chung Chun, Arnold *CPA*

PRINCIPAL BANKER

Bank of China
Hang Seng Bank Limited

WEBSITE

www.sinocop.hk

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 2011.

RESULTS

During the year ended 31 March 2011, the Group recorded a turnover of approximately HK$312.4 million (2010: HK$389.8 million). The decrease in turnover was mainly due to the decrease in sales volume and the change in composition of metals and minerals traded during the year.

The gross profit margin has decreased from 15.3% in last year to 1.8% for the year ended 31 March 2011. The decrease in gross profit margin was mainly due to the different composition of products traded. As compare to last year, the trading volume of iron ores was substantially decreased during the year due to its price fluctuation as well as its lower profit margin. As such, the Group had concentrated its trading in nickel ores, the price of which is less fluctuated but with a relatively lower gross profit margin. As a result, the gross profit had decreased to approximately HK$5.7 million during the year (2010: HK$59.8 million).

The Group recorded a loss of approximately HK$52.9 million for the year as compared to a loss of HK$32.4 million for the last year. Such an increase in loss was mainly due to the decrease in gross profit as discussed above. There was also a provision for impairment loss on prepayments of approximately HK$8.1 million as the unfavorable political conditions in Africa has affected the supplier's ability to supply products to the Group and hence the recoverability of the prepayment has become doubtful.

The loss attributable to the owners of the Company was HK$43.1 million (2010: HK$25.2 million). Basic and diluted loss per share for the year was HK$0.03 per share (2010: HK$0.02 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2011.

BUSINESS REVIEW

Metals and minerals trading

Driven by worldwide relaxed monetary policy, the price of commodity soars up substantially. This leads to a significant price fluctuation especially for iron ores and hence the decrease in both demand and hence profit margin from the Group's customers in the People's Republic of China (the "PRC"). As a result, the Group's turnover and gross profit of iron ores trading decreased significantly during the year. As such, the Group had diversified its trading business to nickel ores during the year, the price of which is less fluctuated as compared to the iron ores traded. The Group will monitor and respond to the market demand, and will adjust its trading product mix from time to time.

Ores processing and trading

The Company 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, Sinocop Resources (Chile) Limited. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. 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.

As a result of the global financial crisis happened at the end of 2008, the Group had slowed down the progress on the development of the ores processing plant in Chile. Looking back to 2009 and 2010, the world economy has shown positive signs of recovery, but the full effect is not clearly shown yet. The second round of quantitative easing policy from the United States has increased the market volatility and expected inflation. However, further quantitative easing policy and the direction of the monetary policy from the United States and the PRC will remain as a significant uncertainty factor to affect the worldwide economy in the future. Hence the Group will continue to monitor the development progress closely and cautiously and to adjust the development progress and review the situation including allowing for operational design adjustments from time to time.

Notwithstanding the aforementioned, Verde has continued the expenditure program in the Chilean projects such as engaging various experts locally for the construction in progress.

LIQUIDITY AND FINANCIAL RESOURCES

On 21 October 2010, the Company announced to propose a placement of up to 110,000,000 new shares at the issue price of HK$0.4 per placing share (the "Placing"). The Directors have considered various ways of raising funds and consider that the Placing represents an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. The Placing was completed on 9 November 2010 and 110,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK$42.6 million were used for the general working capital purpose and future potential investments.

The Group's gearing ratio as at 31 March 2011 was 0.4% (2010: 2.3%), based on the total borrowings under finance leases amounted to HK$0.7 million (2010: HK$3.4 million) and the equity attributable to the owners of the Company of HK$173.3 million (2010: HK$148.0 million).

Of the Group's borrowings under finance leases, HK$0.7 million (2010: HK$2.7 million) is due within one year and HK$Nil (2010: HK$0.7 million) is due in more than one year but not exceeding two years.

As at 31 March 2011, the Group had cash and bank balances of approximately HK$76.0 million (2010: HK$77.6 million). The Group had also obtained banking facilities of US$12.0 million (2010: US$12.0 million), equivalent to approximately HK$93.6 million (2010: approximately HK$93.6 million), none of which had been utilised as at 31 March 2011 (2010: HK$Nil). As at 31 March 2011, no bank deposit (2010: HK$Nil) was pledged to secure these banking facilities.

The operating cash flows of the Group are mainly denominated in HK dollars, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in US 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

Despite the global prices of commodities remain at relatively high level, the PRC has continuously shown its efforts on preventing inflation by implementing various fiscal policy. It is still believed that the global economy will still continue to fluctuate in the near future and the prices of metals and minerals will remain volatile. However, the trend of PRC's economic growth in the foreseeable future will continue to be strong. Hence, the directors remain cautiously optimistic about the future prospects of the Group's metals and minerals trading business as well as the development of the ores processing and trading business.

The directors also believe that the investment in the joint venture company, TGLP, represents a long term investment and will contribute to the Group's success and investment return in the long run.

In the meantime, the Group will continue to monitor the current market situation and may take any appropriate action as necessary which will benefit the Group as a whole.

CONTINGENT LIABILITIES

At 31 March 2011, the Company had provided a corporate guarantee of US$12.0 million (2010: US$12.0 million) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group as at 31 March 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group employed 47 (2010: 71) full time managerial and skilled staff principally in Hong Kong 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, 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 are 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
27 June 2011

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal 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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 92.

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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**312,408**	389,755	284,636	251,287	56,469
LOSS BEFORE INCOME TAX	**(52,890)**	(32,362)	(24,324)	(44,736)	(13,936)
Income tax	**–**	–	–	–	–
LOSS FOR THE YEAR	**(52,890)**	(32,362)	(24,324)	(44,736)	(13,936)
ATTRIBUTABLE TO:					
Owners of the Company	**(43,077)**	(25,187)	(20,469)	(44,000)	(14,440)
Non-controlling interests	**(9,813)**	(7,175)	(3,855)	(736)	504
	(52,890)	(32,362)	(24,324)	(44,736)	(13,936)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**289,340**	269,094	353,182	380,655	35,479
TOTAL LIABILITIES	**(6,157)**	(8,503)	(109,524)	(106,055)	(13,935)
NON-CONTROLLING INTERESTS	**(109,827)**	(112,601)	(116,974)	(106,135)	–
	173,356	147,990	126,684	168,465	21,544

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 16 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.

SHARE CAPITAL AND SHARE OPTIONS

During the year, the Company issued on aggregate 110,000,000 ordinary shares of HK$0.01 each at a price of HK$0.4 per share to independent third parties. In addition, 14,900,000 (2010: Nil) ordinary shares of HK$0.01 each were issued in relation to the share options exercised by employees under the share option scheme of the Company at exercise prices of HK$0.46 per share.

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 25 and 26 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 27 to the financial statements. Details of movements in the reserves of the Group during the year are presented in the consolidated statement of changes in equity on page 31.

DISTRIBUTABLE RESERVES

At the end of reporting period, 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 2011 (2010: 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	64%
– Five largest customers combined	100%
Purchases	
– The largest supplier	64%
– Five largest suppliers combined	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. Chan Chung Chun, Arnold and Mr. Chan Chak Paul 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 9 and 10 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 26 to the financial statements.

No options were granted during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 31 March 2011 were as follows:

			Number of share options		
Name of Director	Date of grant	Exercise Price (HK$)	At 1 April 2010	Granted/ Exercised/ Lapsed	At 31 March 2011
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Chan Chung Chun, Arnold	16 December 2009	0.46	12,000,000	–	12,000,000
Mr. Li Shaofeng	16 December 2009	0.46	12,000,000	–	12,000,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Chan Chak Paul	16 December 2009	0.46	1,200,000	–	1,200,000

Save as disclosed above, 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 years ended 31 March 2011 and 2010 are set out in Note 29 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

On 16 October 2007, Minera Catania Verde S.A., a subsidiary of the Company, 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 29(b) 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 have confirmed that no transaction was entered into under the Master Agreement during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, 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	Short position	Approximate percentage of shareholding in the Company/ associated company
Mr. Cheung Ngan	Beneficial owner	312,432,469 (Note 1)	–	22.59%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Mr. Chan Chung Chun, Arnold	Beneficial owner	12,000,000 (Note 3)	–	0.87%
	Interest of controlled corporation	1,000 (Note 4)	–	20%
Mr. Li Shaofeng	Beneficial owner	12,000,000 (Note 3)	–	0.87%

Name of Director	Capacity/ Nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company/ associated company
Mr. Chan Francis Ping Kuen	Beneficial owner	1,200,000 (Note 3)	–	0.087%
Mr. Hu Guang	Beneficial owner	1,200,000 (Note 3)	–	0.087%
Mr. Chan Chak Paul	Beneficial owner	1,200,000 (Note 3)	–	0.087%

Note:

1) The 312,432,469 shares include the underlying shares of 1,200,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above.

2) The 1,000 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.

3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "directors' rights to acquire shares" above.

4) The 1,000 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 31 March 2011, 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 pages 12 and 13 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 SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the following shareholder 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	312,432,469 (Note 1)	–	22.59%

Note:

1) The 312,432,469 shares include the underlying shares of 1,200,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	54	Chairman, Executive Director	13	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 27 years working experience in corporate management and investments in the PRC.
Mr. Chan Chung Chun, Arnold	51	Deputy Chairman, Executive Director	16	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. Mr. Chan is also the independent non-executive director of Shougang Concord Century Holdings Limited ("Shougang Century") since October 2007.

Name	Age	Position held	Number of years of service	Business experience
Mr. Li Shaofeng	44	Non-Executive Director	4	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. Mr. Li is the managing director of Shougang Century since September 2003 and then appointed as the chairman in May 2010. At the same time, Mr. Li was also appointed as the managing director of Shougang Concord International Enterprises Company Limited, and the chairman of Shougang Concord Technology Holdings Limited, Shougang Concord Grand (Group) Limited and Global Digital Creations Holdings Limited. 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	52	Independent Non-Executive Director	6	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 an associate member of The Institute of Chartered Accountants in Australia and also an associate 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.

Name	Age	Position held	Number of years of service	Business experience
Mr. Hu Guang	44	Independent Non-Executive Director	6	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 nearly 20 years experience in investment, finance and property development in the PRC.
Mr. Chan Chak Paul	50	Independent Non-Executive Director	6	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 who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as the Company's auditors.

ON BEHALF OF THE BOARD

Cheung Ngan
Chairman

Hong Kong
27 June 2011

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 2011 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 2011 is as follows:

Name of Directors	Number of attendance
Mr. Cheung Ngan	4/4
Mr. Chan Chung Chun, Arnold	4/4
Mr. Li Shaofeng	2/4
Mr. Chan Francis Ping Kuen	2/4
Mr. Hu Guang	2/4
Mr. Chan Chak Paul	2/4

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 2011 and the attendance of the member of the Committee is as follows:

Name of Directors	Number of attendance
Mr. Chan Chak Paul *(Chairman)*	2/2
Mr. Chan Francis Ping Kuen	2/2
Mr. Cheung Ngan	2/2

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. Details of the directors' remuneration are set out in Notes 9 to the financial statements.

Audit Committee

The Company has an Audit Committee comprising three independent non-executive directors, Mr. Chan Francis Ping Kuen, Mr. Chan Chak Paul and Mr. Hu Guang. Two meetings were held during the year ended 31 March 2011 and the attendance of the members of the Audit Committee is as follows:

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

During the year ended 31 March 2011, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2010, the interim report for the six months ended 30 September 2010 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 authorised by the Board to investigate any activity and seek any information it requires within its terms of reference. It is also authorised 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 2011, the auditors of the Company received approximately HK$566,000 for audit service and no fee was payable for other non-audit services.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board reviews the internal control system and risk management policy of the Company annually. The Board 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 and risk management 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 2011 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

Voting at the shareholders general meeting shall be conducted by poll. The Chairman of the Board chaired the shareholders' meetings and explained the procedures of voting.

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

We have audited the consolidated financial statements of Sinocop Resources (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 92, which comprise the consolidated and company statements of financial position as at 31 March 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2011 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, 27 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	**312,408**	389,755
Cost of sales		**(306,698)**	(329,994)
Gross profit		**5,710**	59,761
Other income and gains	7	**929**	216
Selling and distribution costs		**(3)**	(5,533)
Administrative expenses		**(58,429)**	(79,818)
Finance costs	8	**(1,590)**	(7,133)
Share of profit of an associate	19	**493**	145
Loss before income tax	11	**(52,890)**	(32,362)
Income tax	12(a)	**–**	–
Loss for the year		**(52,890)**	(32,362)
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**23,363**	10,504
Total comprehensive income for the year		**(29,527)**	(21,858)
Loss attributable to:			
– Owners of the Company		**(43,077)**	(25,187)
– Non-controlling interests		**(9,813)**	(7,175)
		(52,890)	(32,362)
Total comprehensive income attributable to:			
– Owners of the Company		**(26,753)**	(17,485)
– Non-controlling interests		**(2,774)**	(4,373)
		(29,527)	(21,858)
Loss per share			
– Basic and diluted (HK$)	15	**(0.0331)**	(0.0200)

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**28,020**	34,952
Construction in progress	17	**87,384**	67,283
Interests in associates	19	**818**	1,194
Goodwill	20	**47,688**	42,017
Other intangible assets	21	**15,163**	13,360
Total non-current assets		**179,073**	158,806
Current assets			
Accounts receivable	22	**3,529**	5,223
Other receivables, deposits and prepayments		**15,610**	16,332
Value-added-tax recoverable		**15,132**	11,086
Cash and bank balances		**75,996**	77,647
Total current assets		**110,267**	110,288
Total assets		**289,340**	269,094
Current liabilities			
Accounts payable	23	**3,470**	–
Other payables and accruals		**1,371**	4,338
Receipts in advance		**–**	198
Obligations under finance leases	24	**752**	2,675
Tax payable		**564**	564
Total current liabilities		**6,157**	7,775
Net current assets		**104,110**	102,513
Total assets less current liabilities		**283,183**	261,319
Non-current liabilities			
Obligations under finance leases	24	**–**	728
Total liabilities		**6,157**	8,503
NET ASSETS		**283,183**	260,591

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Equity			
Share capital	25	**13,832**	12,583
Reserves		**159,524**	135,407
Equity attributable to owners of the Company		**173,356**	147,990
Non-controlling interests		**109,827**	112,601
TOTAL EQUITY		**283,183**	260,591

On behalf of the Board

Cheung Ngan
Director

Chan Chung Chun, Arnold
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 25)	**Share premium** HK$'000 (Note 27(a))	**Contributed surplus** HK$'000 (Note 27(b))	**Convertible notes equity reserve** HK$'000 (Note 27(c))	**Share options reserve** HK$'000 (Note 27(d))	**Foreign currency translation reserve** HK$'000 (Note 27(e))	**Capital reserve** HK$'000 (Note 27(f))	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2009	12,583	122,777	20,566	19,654	31,638	(13,442)	687	(67,779)	126,684	116,974	243,658
Loss for the year	–	–	–	–	–	–	–	(25,187)	(25,187)	(7,175)	(32,362)
Other comprehensive income	–	–	–	–	–	7,702	–	–	7,702	2,802	10,504
Total comprehensive income	–	–	–	–	–	7,702	–	(25,187)	(17,485)	(4,373)	(21,858)
Share-based payments	–	–	–	–	38,791	–	–	–	38,791	–	38,791
Transfer to accumulated losses upon redemption of convertible notes	–	–	–	(19,654)	–	–	–	19,654	–	–	–
Lapse of share options	–	–	–	–	(324)	–	–	324	–	–	–
At 31 March 2010	12,583	122,777	20,566	–	70,105	(5,740)	687	(72,988)	147,990	112,601	260,591
Loss for the year	–	–	–	–	–	–	–	(43,077)	(43,077)	(9,813)	(52,890)
Other comprehensive income	–	–	–	–	–	16,324	–	–	16,324	7,039	23,363
Total comprehensive income	–	–	–	–	–	16,324	–	(43,077)	(26,753)	(2,774)	(29,527)
Placing of shares (Note 25(i))	1,100	42,900	–	–	–	–	–	–	44,000	–	44,000
Share issue expenses (Note 25(i))	–	(1,368)	–	–	–	–	–	–	(1,368)	–	(1,368)
Share-based payments	–	–	–	–	2,633	–	–	–	2,633	–	2,633
Exercise of share options (Note 25(ii))	149	13,058	–	–	(6,353)	–	–	–	6,854	–	6,854
Lapse of share options	–	–	–	–	(1,110)	–	–	1,110	–	–	–
At 31 March 2011	**13,832**	**177,367**	**20,566**	**–**	**65,275**	**10,584**	**687**	**(114,955)**	**173,356**	**109,827**	**283,183**

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before income tax		**(52,890)**	(32,362)
Adjustments for:			
Interest income	7	**(3)**	(5)
Interest expenses	8	**1,590**	7,133
Depreciation of property, plant and equipment	11	**5,659**	1,283
Gain on disposal of subsidiaries		**–**	(6)
Share-based payments		**2,633**	38,791
Impairment loss on prepayments	11	**8,100**	–
Share of profit of an associate	19	**(493)**	(145)
Operating cash flows before movements in working capital		**(35,404)**	14,689
Decrease in accounts receivable		**1,694**	2,049
(Increase)/decrease in other receivables, deposits and prepayments		**(7,378)**	1,828
Increase in value-added-tax recoverable		**(4,046)**	(3,862)
Increase/(decrease) in accounts payable		**3,470**	(12,547)
Decrease in other payables and accruals		**(2,967)**	(4,098)
(Decrease)/increase in receipts in advance		**(198)**	2
NET CASH USED IN OPERATING ACTIVITIES		**(44,829)**	(1,939)
INVESTING ACTIVITIES			
Disposal of subsidiaries		**–**	(2)
Decrease in pledged bank deposits		**–**	22,996
Dividend received from an associate		**964**	1,488
Payments to acquire property, plant and equipment		**(129)**	(1,488)
Expenditure for construction in progress		**(4,943)**	(14,718)
Interest received		**3**	5
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(4,105)**	8,281

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Proceeds from the placing of shares	25(i)	**44,000**	–
Share issue expenses	25(i)	**(1,368)**	–
Proceeds from exercise of share options	25(ii)	**6,854**	–
Interest paid		**(1,579)**	(1,047)
Finance lease interest paid		**(227)**	(737)
Payment for the redemption of convertible notes		**–**	(83,200)
Repayment of obligations under finance leases		**(2,977)**	(7,967)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**44,703**	(92,951)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,231)**	(86,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**77,647**	164,058
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,580**	198
CASH AND CASH EQUIVALENTS AT END OF YEAR		**75,996**	77,647
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**75,996**	77,647

Statement of Financial Position

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**–**	–
Interests in subsidiaries	18	**158,089**	148,582
Total non-current assets		**158,089**	148,582
Current assets			
Prepayments		**150**	155
Cash and bank balances		**15,265**	256
Total current assets		**15,415**	411
Total assets		**173,504**	148,993
Current liabilities			
Accruals		**500**	514
Tax payable		**12**	12
Total current liabilities		**512**	526
Net current assets/(liabilities)		**14,903**	(115)
NET ASSETS		**172,992**	148,467
Equity			
Share capital	25	**13,832**	12,583
Reserves	27	**159,160**	135,884
TOTAL EQUITY		**172,992**	148,467

On behalf of the Board

Cheung Ngan
Director

Chan Chung Chun, Arnold
Director

1. CORPORATION 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 located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is located at 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 HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs

In the current year, the Group has adopted the following new/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 that are effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

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

(a) Adoption of new/revised HKFRSs (Continued)

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4(a) to these financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [1]
HKAS 24 (Revised)	Related Party Disclosures [2]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets [3]
HKFRS 9	Financial Instruments [4]

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

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of 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 measurement

The financial statements have been prepared under the historical cost convention.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 April 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 April 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. 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. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) 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 statement of financial position, 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.

(d) 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 statement of financial position 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) 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 and overhaul costs, is recognised in profit or loss in the year 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 estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The expected useful lives of property, plant and equipment are as follows:

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

Freehold land is not amortised.

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 net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment and construction in progress (Continued)

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, capitalised borrowing costs on related borrowed funds and after deducting any incidental income generated from the construction work being carried out during the period of construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(f) 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.

(g) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, investment in subsidiaries and associates 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) 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.

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.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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.

i) Financial assets

The Group's financial assets are loans and receivables. 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

i) *Financial assets (Continued)*

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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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.

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.

If any such evidence exists, 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

i) *Financial assets (Continued)*

Impairment of financial assets (Continued)

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

i) *Financial assets (Continued)*

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) 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 4(k) if and when (i) it becomes probable that the holder of the guarantee will call upon the group company under the guarantee, and (ii) the amount of that claim on the group 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.

Derecognition of financial liabilities

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) 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 statement of cash flows.

(j) 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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

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 statement of financial position 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) 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.

(l) Income tax

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Income tax (Continued)

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

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

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.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case the income tax is recognised in other comprehensive income, 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

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 at the end of the reporting period. 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 recognised in other comprehensive income and accumulated in the 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 at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) 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 end of the reporting period.

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.

(o) 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 the end of each reporting period, 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying asset, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) 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.

(r) 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;

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

iii) rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has the following two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

- Metal and minerals trading; and

- Ores processing and trading.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-makers for assessment of segment performance.

6. SEGMENT REPORTING (Continued)

(a) Reportable segments

	Metal and minerals trading		Ores processing and trading		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**312,408**	389,755	**–**	–	**312,408**	389,755
Reportable segment (loss)/profit	**(11,238)**	45,463	**(24,539)**	(17,942)	**(35,777)**	27,521
Share of profit of an associate	**493**	145	**–**	–	**493**	145
Interest income	**2**	–	**–**	4	**2**	4
Unallocated					**1**	1
Total interest income					**3**	5
Depreciation	**–**	–	**10,519**	9,351	**10,519**	9,351
Unallocated					**681**	691
Total depreciation					**11,200**	10,042
Impairment loss on prepayments	**8,100**	–	**–**	–	**8,100**	–
Reportable segment assets	**35,094**	17,328	**236,536**	249,124	**271,630**	266,452
Interests in associates	**818**	1,194	**–**	–	**818**	1,194
Additions to non-current assets	**–**	–	**10,822**	37,899	**10,822**	37,899
Unallocated					**7**	30
Total additions to non-current assets					**10,829**	37,929
Reportable segment liabilities	**3,478**	1,274	**1,490**	5,672	**4,968**	6,946

6. SEGMENT REPORTING (Continued)

(b) Reconciliation of segment revenue, profit or loss, assets and liabilities

	2011 HK$'000	2010 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**312,408**	389,755
Loss before income tax		
Reportable segment (loss)/profit	**(35,777)**	27,521
Unallocated other income and gains	**113**	114
Unallocated share-based payments	**(2,633)**	(38,791)
Unallocated other corporate expenses	**(13,003)**	(14,073)
Finance costs	**(1,590)**	(7,133)
Consolidated loss before income tax	**(52,890)**	(32,362)
Assets		
Reportable segment assets	**271,630**	266,452
Unallocated corporate assets	**17,710**	2,642
Consolidated total assets	**289,340**	269,094
Liabilities		
Reportable segment liabilities	**4,968**	6,946
Unallocated corporate liabilities	**1,189**	1,557
Consolidated total liabilities	**6,157**	8,503

6. SEGMENT REPORTING (Continued)

(c) Geographic information

During the years ended 31 March 2011 and 2010, the Group's business revenue was all generated from the People's Republic of China (the "PRC").

The following is an analysis of the Group's non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by the geographical areas in which the assets are located:

	Specified non-current assets	
	2011	2010
	HK$'000	HK$'000
PRC, including Hong Kong	**1,000**	2,077
South America	**177,255**	155,535
Asia Pacific	**818**	1,194
	179,073	158,806

(d) Information about major customers

For the year ended 31 March 2011, revenues from sales to two customers in the metal and minerals trading segment amounting to HK$200,507,000 and HK$111,901,000 respectively had contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2010, revenues from sales to two customers in the metal and minerals trading segment amounting to HK$252,673,000 and HK$122,113,000 respectively had contributed to more than 10% of the Group's revenue.

7. 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:

	2011 **HK$'000**	2010 HK$'000
Turnover		
Sale of metals and minerals	**312,408**	389,755
Other income and gains		
Interest income	**3**	5
Rental income	**465**	–
Sundry income	**461**	205
Gain on disposal of subsidiaries	**–**	6
	929	216

8. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest on convertible notes	**–**	6,060
L/C charges and trust receipt loans interest	**1,579**	1,047
Finance charges on obligations under finance leases	**227**	737
Total interest expenses	**1,806**	7,844
Less: amount capitalised in construction in progress	**(216)**	(711)
	1,590	7,133

The borrowing costs have been capitalised at a rate of 10.93% (2010: 11.10%) per annum.

9. 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 2011

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Cheung Ngan	–	1,115	–	12	1,127
Mr. Chan Chung Chun, Arnold	–	351	–	12	363
Sub-total	–	1,466	–	24	1,490
Non-executive director:					
Mr. Li Shaofeng	–	–	–	–	–
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	300	1,466	–	24	1,790

9. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2010

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Cheung Ngan	–	1,077	512	12	1,601
Mr. Chan Chung Chun, Arnold	–	351	5,117	12	5,480
Sub-total	–	1,428	5,629	24	7,081
Non-executive director:					
Mr. Li Shaofeng	–	–	5,117	–	5,117
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	–	512	–	612
Mr. Hu Guang	100	–	512	–	612
Mr. Chan Chak Paul	100	–	512	–	612
Sub-total	300	–	1,536	–	1,836
Total	300	1,428	12,282	24	14,034

Except for Mr. Li Shaofeng who unconditionally waived his entitlement to a director's fee of HK$100,000 in respect of the years ended 31 March 2011 and 2010, there were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 March 2011 and 2010. 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 2011 and 2010.

During the year, no share options were granted to the directors. During the year ended 31 March 2010, share options were granted to all directors in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in Note 26 to the financial statements. The fair value of such options, which has been recognised in profit or loss and included in the above directors' remuneration disclosures, was determined as at the date of grant of options.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (2010: one) director, details of whose remuneration are set out in Note 9 above. The details of the remuneration of the remaining four (2010: four) non-director highest paid individuals are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, allowances and benefits in kind	**2,316**	1,666
Share-based payments	**–**	20,467
Pension contributions	**29**	43
	2,345	22,176

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

	2011 **Number of employees**	2010 Number of employees
HK$Nil to HK$1,000,000	**4**	–
HK$5,000,001 to HK$5,500,000	**–**	2
HK$5,500,001 to HK$6,000,000	**–**	2
	4	4

During the year ended 31 March 2010, share options were granted to four non-director, highest paid individuals in respect of their services to the Group under the share option scheme of the Company, further details of which are disclosed in Note 26 to the financial statements. The fair value of such options, which has been recognised in profit or loss and included in the above disclosure of five highest paid individuals, was determined as at the date of grant of options. No share options were granted to these highest paid individuals during the year ended 31 March 2011.

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2011 HK$'000	2010 HK$'000
Auditors' remuneration	**566**	595
Impairment loss on prepayments (Note)	**8,100**	–
Exchange losses, net	**32**	573
Operating lease rentals on leasehold land and buildings	**4,418**	4,456
Depreciation of property, plant and equipment	**11,200**	10,042
Less: amount capitalised in construction in progress	**(5,541)**	(8,759)
	5,659	1,283
Staff costs (including directors' remuneration – Note 9)		
– Salaries and wages	**12,183**	10,779
– Other benefits	**956**	872
– Share-based payments	**2,633**	38,791
– Pension contributions	**157**	166
	15,929	50,608

Note: In order to secure the supplies of certain mineral ores, the Group prepaid a supplier based in Africa in 2007 for future purchases of mineral ores. However, the recent unfavourable political conditions in Africa has affected the supplier's ability to supply products to the Group and hence the recoverability of the prepayment has become doubtful. The Group will continue to negotiate with the supplier for the return of the deposit. In the meantime, the Group has fully provided for the balance of the prepayment at 31 March 2011 on prudence ground.

12. INCOME TAX

(a) No Hong Kong profits tax has been provided as the Group incurred losses during the current and prior years.

Overseas taxes on assessable profits of the group companies, 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 2011, subject to the agreement by the Hong Kong Inland Revenue Department, the Group has unused tax losses of HK$100,319,000 (2010: HK$84,931,000) 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) The income tax for the year can be reconciled to the loss before income tax as stated in the consolidated statement of comprehensive income as follows:

	2011		2010	
	HK$'000	**%**	HK$'000	%
Loss before income tax	**(52,890)**		(32,362)	
Tax credit at the applicable rates	**(8,836)**	**16.71**	(5,409)	16.71
Non-taxable revenue	**–**	**–**	(7,480)	23.11
Non-deductible expenses	**6,359**	**(12.02)**	10,162	(31.40)
Share of profit of an associate	**(81)**	**0.15**	(24)	0.07
Effect of tax losses and temporary differences not recognised	**2,558**	**(4.84)**	2,751	(8.49)
Tax and effective tax rate for the year	**–**	**–**	–	–

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company includes a loss of HK$1,594,000 (2010: HK$14,950,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the year ended 31 March 2011 (2010: HK$Nil).

15. LOSS PER SHARE

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

	2011	2010
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(43,077)**	(25,187)

	2011	2010
	Number	Number
Weighted average number of ordinary shares in issue	**1,302,715,500**	1,258,296,800

Diluted loss per share is same as basic loss per share as presented for the years ended 31 March 2011 and 2010 as the potential ordinary shares in issue are anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land HK$'000	Freehold land and buildings HK$'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 2009	–	1,804	3,118	37,966	7,595	50,483
Additions	5,915	–	–	561	927	7,403
Exchange realignment	65	149	–	3,146	219	3,579
At 31 March 2010	5,980	1,953	3,118	41,673	8,741	61,465
Additions	–	–	–	–	129	129
Disposals	–	–	(307)	–	(973)	(1,280)
Exchange realignment	807	264	–	5,625	495	7,191
At 31 March 2011	**6,787**	**2,217**	**2,811**	**47,298**	**8,392**	**67,505**
Accumulated depreciation:						
At 1 April 2009	–	180	1,533	9,770	4,025	15,508
Charge for the year	–	97	568	8,216	1,161	10,042
Exchange realignment	–	16	–	898	49	963
At 31 March 2010	–	293	2,101	18,884	5,235	26,513
Charge for the year	–	107	563	9,186	1,344	11,200
Disposals	–	–	(307)	–	(973)	(1,280)
Exchange realignment	–	43	–	2,824	185	3,052
At 31 March 2011	**–**	**443**	**2,357**	**30,894**	**5,791**	**39,485**
Carrying amount:						
At 31 March 2011	**6,787**	**1,774**	**454**	**16,404**	**2,601**	**28,020**
At 31 March 2010	5,980	1,660	1,017	22,789	3,506	34,952

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

(i) The freehold land held by the Group is situated in Chile.

(ii) 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. The freehold land and buildings of the Group are situated in Chile.

(iii) The carrying amount of the Group's assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 31 March 2011 amounted to HK$3,096,000 (2010: HK$5,268,000).

The Company

	Equipment HK$'000
Cost:	
At 1 April 2009 and 31 March 2010	131
Disposals	(60)
At 31 March 2011	71
Accumulated depreciation:	
At 1 April 2009 and 31 March 2010	131
Disposals	(60)
At 31 March 2011	71
Carrying amount:	
At 31 March 2011	**–**
At 31 March 2010	–

17. CONSTRUCTION IN PROGRESS

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**67,283**	39,556
Expenditure recognised in the course of construction	**10,700**	24,188
Exchange realignment	**9,401**	3,539
At 31 March	**87,384**	67,283

Construction in progress represents properties under construction for the processing of copper ores in Chile. Cost being capitalised in the course of construction comprises the direct costs of construction, related professional fees, capitalised depreciation of machinery used for construction, capitalised borrowing costs on related borrowed funds and after deducting any incidental income generated from the construction work being carried out during the period of construction.

The directors have assessed the impairment of construction in progress, goodwill and water use rights by considering their value in use with reference to the valuation of the Group's ores processing and trading business as at 31 March 2011 based on the discounted cash flow method performed by an independent firm of professional valuers. The directors are of the opinion that there was no impairment on construction in progress, goodwill (Note 20) and water use rights (Note 21) directly relating to the ores processing and trading business as at 31 March 2011.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**133,154**	130,521
Amounts due from subsidiaries	**719,562**	686,106
Amounts due to subsidiaries	**(15,336)**	(14,754)
	704,226	671,352
	837,380	801,873
Less: Provision for impairment	**(679,291)**	(653,291)
	158,089	148,582

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 2011 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 2011	2010	Principal activities
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

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 2011	Attributable equity interest 2010	Principal activities
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
Hong Kong Cable Services Co. Limited	Hong Kong/PRC	HK$100,000	**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
Shui Yuen (Manganese) Group Limited	British Virgin Islands/ PRC	US$1	**100%**	100%	Trading of metals and minerals
Sinocop Resources (Chile) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding

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 2011	2010	Principal activities
Tong Guan La Plata Company Limited ("TGLP")	British Virgin Islands	US$50,000,000	**60%#**	60%#	Investment holding
Profit Way Group Limited	British Virgin Islands	US$100,000	**60%#**	60%#	Investment holding
Minera Catania Verde S. A.	Chile	US$100,000	**60%#**	60%#	Processing of copper ores
Catania Resources Limited	British Virgin Island	US$1	**60%#**	60%#	Investment holding
Loyal Dragon Development Limited	Hong Kong	HK$1	**60%#**	60%#	Provision of management services

Proportion of equity interest held indirectly by the Company is determined based on the amount of capital paid by the Group and the composition of the board of directors at 31 March 2011 and 2010.

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 Group or constituted a substantial portion of its assets. To give details of other subsidiaries would result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES

	The Group 2011 HK$'000	The Group 2010 HK$'000
Share of net assets	**818**	1,194

Particulars of the Group's associates as at 31 March 2011 are as follows:

Name of associate	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2011	Percentage of equity attributable to the Group 2010	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 2011, these associates had deficiency in net assets in excess of the Group's costs of investments and were not equity accounted for. The Group had accounted for the losses of these associates to the extent of the investment costs. The Group's unrecognised share of net profits of these associates for the year was HK$76,000 (2010: HK$42,000) and unrecognised share of losses cumulatively was HK$549,000 (2010: HK$576,000).

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

19. INTERESTS IN ASSOCIATES (Continued)

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

	2011	2010
	HK$'000	HK$'000
Total assets	**4,210**	6,736
Total liabilities	**(4,085)**	(5,056)
Net assets	**125**	1,680
Group's share of net assets	**818**	1,194
Turnover	**7,177**	2,081
Profit for the year	**2,166**	771
Group's share of profit for the year	**493**	145

20. GOODWILL

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**42,017**	38,807
Exchange realignment	**5,671**	3,210
At 31 March	**47,688**	42,017

20. GOODWILL (Continued)

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

As set out in Note 17 to the financial statements, the directors have assessed the recoverable amount of the Group's ores processing and trading by reference to the 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 2011 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.

Below are the key assumptions used for value in use calculations:

	2011 **Percentage**	2010 Percentage
Gross profit margin	**55.09**	44.52
Discount rate	**29.73**	22.63

Management determined the budgeted gross profit margin based on relevant data pertaining to the ores processing industry in South America. The discount rates used reflect specific risks relating to the Group's ores processing and trading business.

As disclosed in Note 17 to the financial statements, there was no impairment in the value of goodwill as at 31 March 2011.

21. OTHER INTANGIBLE ASSETS

	The Group		
	Water use rights HK$'000	Other HK$'000	Total HK$'000
At 1 April 2009	6,432	13	6,445
Additions	6,338	–	6,338
Exchange realignment	576	1	577
At 31 March 2010	13,346	14	13,360
Exchange realignment	1,801	2	1,803
At 31 March 2011	**15,147**	**16**	**15,163**

The water use rights were acquired to secure water supply for the Group's ores processing and trading business in Chile and represent the perpetual rights for the use of local water supply in Chile. These rights have indefinite useful lives and are stated at cost.

As disclosed in Note 17 to the financial statements, there was no impairment on the water use rights as at 31 March 2011.

22. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable at the end of the reporting period, based on the invoice date, was as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 3 months	**656**	5,223
4 to 6 months	**2,873**	–
	3,529	5,223

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. For the accounts receivable aged between 4 to 6 months, they 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 at the end of the reporting period, based on the invoice date, was as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 3 months	**645**	–
4 to 6 months	**2,825**	–
	3,470	–

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

24. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2011, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**769**	2,885	**752**	2,675
In the second to fifth year inclusive	**–**	744	**–**	728
	769	3,629	**752**	3,403
Less: Future finance charges	**(17)**	(226)		
Present value of lease obligations	**752**	3,403		

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 2011, the weighted average effective borrowing rate was 10.60% (2010: 9.96%). 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. SHARE CAPITAL

	2011 Number of shares	2011 HK$'000	2010 Number of shares	2010 HK$'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**	1,258,296,800	12,583
Placing of shares (Note (i))	**110,000,000**	**1,100**	–	–
Exercise of share options (Note (ii))	**14,900,000**	**149**	–	–
At end of year	**1,383,196,800**	**13,832**	1,258,296,800	12,583

Notes:

(i) Placing of shares

On 9 November 2010, pursuant to a conditional placing agreement between the Company and a placing agent, the Company issued on aggregate 110,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.40 per share to independent third parties for a total cash consideration of HK$44,000,000 before issue expenses of HK$1,368,000, of which HK$1,100,000 and HK$42,900,000 were credited to share capital and share premium account respectively (Note 27).

(ii) Exercise of share options

During the year, options were exercised to subscribe for 14,900,000 ordinary shares in the Company at a total consideration of HK$6,854,000 of which HK$149,000 was credited to share capital and HK$6,705,000 was credited to the share premium account. An amount of HK$6,353,000 was transferred from the share options reserve to the share premium account following the exercise of the options (Note 27).

26. 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.

Pursuant to the Scheme, the board of directors 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.

On 16 December 2009, the Company granted 84,800,000 options to the directors and eligible employees of the Group at the exercise price of HK$0.46 each for a period of ten years from the date of grant.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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	Exercised during the 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	44,200,000	–	(200,000)	**44,000,000**	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
16/12/2009	84,800,000	(14,900,000)	(2,300,000)	**67,600,000**	HK$0.46	HK$0.45	16/12/2009 to 15/12/2019	N/A
	134,000,000	(14,900,000)	(2,500,000)	**116,600,000**				

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 of the share options are incorporated into the model.

Fair value of share options and assumptions:

		Offer of grant at	
	11 July 2007	**18 September 2007**	**16 December 2009**
Fair value at measurement date	HK$0.65	HK$2.63	HK$0.43
Share price at the date of offer of grant	HK$0.86	HK$2.90	HK$0.45
Exercise price	HK$0.86	HK$2.95	HK$0.46
Expected volatility	160.11%	163.08%	125.98%
Expected life	2 years	2.53 to 6.53 years	10 years
Expected dividends	0%	0%	0%
Risk-free interest rate	4.757%	4.272%	2.387%

The Group recognised an equity-settled share-based payment expense of approximately HK$2,633,000 (2010: HK$38,791,000) during the year.

27. 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 page 31 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").

(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.

(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 4(o).

(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 4(m).

27. RESERVES (Continued)

The Group (Continued)

(f) 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. The excess is accounted for as contributions from shareholder and credited to capital reserve.

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	122,777	87,109	19,654	31,638	(127,135)	134,043
Loss for the year	–	–	–	–	(36,950)	(36,950)
Share-based payments (Note 26)	–	–	–	38,791	–	38,791
Lapse of share options	–	–	–	(324)	324	–
Transfer to accumulated losses upon redemption of convertible notes	–	–	(19,654)	–	19,654	–
At 31 March 2010	122,777	87,109	–	70,105	(144,107)	135,884
Loss for the year	–	–	–	–	(27,594)	(27,594)
Placing of shares (Note 25(i))	42,900	–	–	–	–	42,900
Share issue expenses (Note 25(i))	(1,368)	–	–	–	–	(1,368)
Exercise of share options (Note 25(ii))	13,058	–	–	(6,353)	–	6,705
Share-based payments (Note 26)	–	–	–	2,633	–	2,633
Lapse of share options	–	–	–	(1,110)	1,110	–
At 31 March 2011	**177,367**	**87,109**	**–**	**65,275**	**(170,591)**	**159,160**

28. COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments contracted but not provided for in these financial statements:

	2011 HK$'000	2010 HK$'000
Acquisition of property, plant and equipment	12,956	12,956
Capital expenditure in respect of the construction of ores processing plant	3,815	3,805
	16,771	16,761

(b) Operating lease commitments

As lessee

At the end of the reporting period, 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:

	2011 HK$'000	2010 HK$'000
Within one year	2,253	2,289
After one year but within five years	1,871	431
	4,124	2,720

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.

28. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

As lessor

The Group leases its water use rights under operating lease. Rental income earned during the year was HK$459,000. There are no direct operating expenses arising on the water use rights in the year.

At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**959**	–
After one year but within five years	**2,597**	–
	3,556	–

29. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2011 and 2010:

(b) 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 2011 and 2010.

This related party transaction also constitutes continuing connected transactions in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

(c) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 9 to the financial statements.

30. CONTINGENT LIABILITIES

As at 31 March 2011, the Company had provided a corporate guarantee of US$12,000,000 (2010: US$12,000,000), equivalent to approximately HK$93,600,000 to a bank as a security of the banking facilities granted to the Group. The banking facilities were not utilised by the Group at the end of the reporting period.

The directors do not consider it probable that a claim will be made against the Company under the above guarantee at the end of the reporting period. The Company has not recognised any deferred income in respect of the above guarantee as its fair value cannot be reliably measured and its transaction price was nil.

31. 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 obligations under finance leases and equity attributable to owners of the Company, comprising share capital and reserves.

The gearing ratio at the end of the reporting period was as follows:

	2011 **HK$'000**	2010 HK$'000
Debts	**752**	3,403
Equity	**173,356**	147,990
Gearing ratio	**0.4%**	2.3%

32. 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 at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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. At the end of the reporting period, the Group had a significant concentration of credit risk as trade receivables at 31 March 2011 and 2010 were primary due from the Group's major customers within the metal and minerals trading segment.

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.

32. 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 end of the reporting period 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 HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2011				
Accounts payable	**3,470**	**3,470**	**3,470**	**–**
Other payables and accruals	**1,371**	**1,371**	**1,371**	**–**
Obligations under finance leases	**752**	**769**	**769**	**–**
	5,593	**5,610**	**5,610**	**–**
2010				
Other payables and accruals	4,338	4,338	4,338	–
Obligations under finance leases	3,403	3,629	2,885	744
	7,741	7,967	7,223	744

32. 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 end of the reporting period, 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 is primarily United States dollars ("USD").

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.

32. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

The following table details the Group's exposure at the end of the reporting period 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.

	2011 **USD'000**	2010 USD'000
Accounts receivable	**452**	670
Other receivables, deposits and prepayments	**1,748**	1,818
Cash and bank balances	**5,054**	9,675
Accounts payable	**(445)**	–
Other payables and accruals	**(33)**	(263)
Obligations under finance leases	**(91)**	(408)
	6,685	11,492

As at 31 March 2011 and 2010, a subsidiary whose functional currency is Chilean Peso had other receivables, cash and bank balances, accruals and obligations under finance leases denominated in United States dollars. The Group believes that its exposure to any possible foreign exchange rate changes on translation of these balances in Chilean Peso is minimal as the total amount of these balances was not significant as at the end of the reporting period.

The Group also believes its exposure to United States dollars against Hong Kong dollars is minimal as the pegged rate between Hong Kong dollars and United States dollars would not have any material changes.

Market price risk

At the end of the reporting period, 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 2011 and 2010.

33. 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 2011 and 2010 may be categorised as follows:

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**81,317**	84,515
Financial liabilities		
Financial liabilities measured at amortised cost	**5,593**	7,741

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2011.