SINOCOP

SINOCOP RESOURCES (HOLDINGS) LIMITED

中銅資源(控股)有限公司

Stock Code: 00476

ANNUAL REPORT 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold
(Deputy Chairman)
Mr. Zhau Chong Dei
Mr. Lee Ming Zang

Non-Executive Director

Mr. Li Shaofeng

Independent Non-Executive Directors

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

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 2012.

RESULTS

During the year ended 31 March 2012, the Group recorded a turnover of approximately HK$144.2 million (2011: HK$312.4 million). The decrease in turnover was mainly due to the reason that the Group has no iron ore trading during the year, as compare to last year, iron ores trading accounted for approximately two-thirds of its turnover.

As mentioned in last year annual report, the trading volume of iron ores has been substantially decreased during the financial year ended 31 March 2011 due to its price fluctuation as well as its lower profit margin, and 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. The Group has continued to concentrate its trading in nickel ores during the year, nevertheless, the gross profit margin has been increased from 1.8% in last year to 7.3% in this current year. The improvement in gross profit margin is mainly due to the increase in selling price of the products traded and a lower sea freight costs.

The Group recorded a loss of approximately HK$25.3 million for the year as compared to a loss of HK$52.9 million in last year. Such a decrease in loss was mainly due to the increase in gross profit as discussed above and decrease in administrative expense to approximately HK$37.1 million (2011: HK$58.4 million). The decrease in administrative expenses was resulted from effective cost control in addition to no further impairment was made in current year as compared to a provision for impairment loss on prepayment of HK$8.1 million in previous year.

The loss attributable to the owners of the Company was HK$21.3 million (2011: HK$43.1 million). Basic and diluted loss per share for the year was HK$0.0154 per share (2011: HK$0.0331 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2012.

Chairman's Statement

BUSINESS REVIEW

Metals and minerals trading

During the year, the price of iron ores has remained fluctuating both upward and downward, hence the Group continued its concentration on the trading of nickel ores, for which the price is relatively less affected by global economy. The Group will monitor and respond to the market demand, and will adjust its trading products 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, of which 60% was held by the Company. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. The wholly-owned subsidiary of the joint venture company, Minera Catania Verde S.A. ("Verde") in Chile, had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant.

As discussed in previous annual reports, the Group had slowed down the progress on the development of ores processing plant in Chile since the financial crisis in late 2008. Although there are signs of recovery during 2009 and 2010, at the same time, European sovereign debt crisis has been intensifying meanwhile. The recent turmoil of European economic uncertainty due to the sovereign debt crisis, together with possible further quantitative easing policy from the United States, has largely increased the financial market volatility and hence the risk of global economic downturn. The Group will be very cautious in responding to the current global economic situation and will continue to monitor the development progress including consideration of operational design adjustments from time to time. The Group will also consider any further appropriate action if necessary. Having considered the above, Verde has continued the expenditure program cautiously such as engaging various experts locally for the construction in progress.

LIQUIDITY AND FINANCIAL RESOURCES

For the year under review, the Group generally financed its operations by internal resources. As at 31 March 2012, the net assets value of the Group amounted to approximately HK$257.1 million (2011: HK$283.2 million).

The Group has no significant liabilities. As at 31 March 2012, the gearing ratio of the Group was nil (2011: 0.4%) as the borrowings under finance leases was fully settled during the year. The gearing ratio as at 31 March 2011 was based on the total borrowing under finance leases amounted to HK$0.7 million and equity attributable to the owners of the Company of HK$173.3 million. As at 31 March 2012, the equity attributable to the owners of the Company was HK$152.6 million.

As at 31 March 2012, the Group had cash and bank balances of approximately HK$62.4 million (31 March 2011: HK$76.0 million). As at 31 March 2012, no bank deposit (31 March 2011: HK$Nil) was pledged.

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

The recent fluctuation on the global economy, including the European sovereign debt crisis and the doubt on US government deficit cut, has largely increased the risk of global economic downturn. Nevertheless, infrastructure will continue in the Twelfth Five-year Plan of the People's Republic of China (the "PRC"). Accordingly, the directors remain cautiously optimistic about the trend of the PRC economic growth in the foreseeable future and hence the future prospects of the Group's metals and minerals trading business in the long run.

The directors also believe that the investment in the joint venture company in Chile is a long term investment and will contribute to the Group's success and investment return in the long run. In responding to the current economic situation, the directors will cautiously consider any appropriate measure if necessary, as well as any adjustment to the pace of development.

In the meantime, the Group will continue to seek business opportunity and to take any appropriate action as necessary which will benefit to the Group. As disclosed in Note 34 to the financial statements, an agreement has been entered into between the Company and the vendors in respect of a very substantial acquisition and a connected transaction of the Company on 29 March 2012. The transaction is to acquire a target company which is the beneficiary of a glauberite mine located in Guangxi, the PRC. The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its mining business and to increase its reserve of non-ferrous metal resources. It was expected that the acquisition will present the Group with favourable long term prospects.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

At 31 March 2012, there were no charges on the Group's assets and the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group employed 37 (2011: 47) 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
22 June 2012

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 100.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**144,226**	312,408	389,755	284,636	251,287
LOSS BEFORE INCOME TAX	**(25,909)**	(52,890)	(32,362)	(24,324)	(44,736)
Income tax credit	**564**	–	–	–	–
LOSS FOR THE YEAR	**(25,345)**	(52,890)	(32,362)	(24,324)	(44,736)
ATTRIBUTABLE TO:					
Owners of the Company	**(21,289)**	(43,077)	(25,187)	(20,469)	(44,000)
Non-controlling interests	**(4,056)**	(9,813)	(7,175)	(3,855)	(736)
	(25,345)	(52,890)	(32,362)	(24,324)	(44,736)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**262,331**	289,340	269,094	353,182	380,655
TOTAL LIABILITIES	**(5,227)**	(6,157)	(8,503)	(109,524)	(106,055)
NON-CONTROLLING INTERESTS	**(104,479)**	(109,827)	(112,601)	(116,974)	(106,135)
	152,625	173,356	147,990	126,684	168,465

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, 1,200,000 (2011: 14,900,000) 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 34.

DISTRIBUTABLE RESERVES

At the end of the 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 2012 (2011: 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	100%
Purchases	
– The largest supplier	52%
– 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)*
Mr. Zhau Chong Dei	Appointed on 29 March 2012
Mr. Lee Ming Zang	Appointed on 29 March 2012

Non-executive director

Mr. Li Shaofeng

Independent non-executive directors

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

Mr. Cheung Ngan, Mr. Chan Francis Ping Kuen, Mr. Zhau Chong Dei and Mr. Lee Ming Zang 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 2012 were as follows:

			Number of share options		
Name of Director	Date of grant	Exercise Price (HK$)	At 1 April 2011	Granted/ Exercised/ Lapsed	At 31 March 2012
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 2012 and 2011 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 2012, 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 & interest of controlled corporation	3,112,432,469 (Note 1)	–	224.82%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Mr. Chan Chung Chun, Arnold	Beneficial owner & interest of controlled corporation	2,812,000,000 (Note 3)	–	203.12%
	Interest of controlled corporation	1,000 (Note 4)	–	20%

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. Li Shaofeng	Beneficial owner	12,000,000 (Note 5)	–	0.87%
Mr. Chan Francis Ping Kuen	Beneficial owner	1,200,000 (Note 5)	–	0.087%
Mr. Hu Guang	Beneficial owner	1,200,000 (Note 5)	–	0.087%

1) The 3,112,432,469 shares include:

   a. 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;

   b. the underlying shares of 2,800,000,000 from the consideration shares of 84,000,000 and convertible notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation, which was beneficially owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold, upon completion of acquisition of 100 shares of South China Mining Investments Limited. Details of which are set out in Note 34 to the financial statements.

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) The 2,812,000,000 shares include the underlying shares of 12,000,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above and the underlying shares of 2,800,000,000 as set out in Note 1b 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.

5) 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.

Save as disclosed above, as at 31 March 2012, 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 Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2012, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	3,112,432,469 (Note 1)	–	224.82%
Mr. Chan Chung Chun, Arnold	Beneficial owner & interest of controlled corporation	2,812,000,000 (Note 2)	–	203.12%

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
Sino PowerHouse Corporation	Beneficial owner	2,800,000,000 (Note 3)	–	202.25%
Mr. Zhou Bo	Beneficial owner	1,000,000,000 (Note 4)	–	72.23%
Mr. Luan Zhong Jie	Beneficial owner	200,000,000 (Note 5)	–	14.44%

Note:

1) The 3,112,432,469 shares include:

   a. 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;

   b. the underlying shares of 2,800,000,000 from the consideration shares of 84,000,000 and convertible notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation, which was beneficially owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold, upon completion of acquisition of 100 shares of South China Mining Investments Limited. Details of which are set out in Note 34 to the financial statements.

2) The 2,812,000,000 shares include the underlying shares of 12,000,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above and the underlying shares of 2,800,000,000 as set out in Note 1b above.

3) The underlying shares of 2,800,000,000 from the consideration shares of 84,000,000 and convertible notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation upon completion of acquisition of 100 shares of South China Mining Investments Limited. Details of which are set out in Note 34 to the financial statements.

4) The underlying shares of 1,000,000,000 from the consideration shares of 30,000,000 and convertible notes of 970,000,000 which were agreed to be issued to Mr. Zhou Bo upon completion of acquisition of 100 shares of South China Mining Investments Limited. Details of which are set out in Note 34 to the financial statements.

5) The underlying shares of 200,000,000 from the consideration shares of 6,000,000 and convertible notes of 194,000,000 which were agreed to be issued to Mr. Luan Zhong Jie upon completion of acquisition of 100 shares of South China Mining Investments Limited. Details of which are set out in Note 34 to the financial statements.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	55	Chairman, Executive Director	14	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 28 years working experience in corporate management and investments in the PRC.
Mr. Chan Chung Chun, Arnold	52	Deputy Chairman, Executive Director	17	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. Zhau Chong Dei	45	Executive Director	–	Was appointed as an executive director on 29 March 2012. Mr. Zhau graduated from Lianyungang Chemical Mining College major in exploration geology in 1988. He was a registered senior engineer in the PRC and has been working for various exploration projects. He was specialised and in charge in the complete cycle of glauberite exploration from designing exploration program to on-site program execution and management, raw data testing and performing relevant analysis, and then finally preparation of resources report for governmental approval.
Mr. Lee Ming Zang	57	Executive Director	–	Was appointed as an executive director on 29 March 2012. Mr. Lee graduated from Chongqing University major in exploitation engineering in 1981. He was a registered senior engineer in the PRC. Mr. Lee was specialised and in charge in the complete cycle of exploitation for glauberite from designing of mining program to construction of mining tunnel and shaft tunnel, exploitation of mine-room for solution leaching, building of ventilation shaft, and installation of solution piping circuit inside the underground mine.

Name	Age	Position held	Number of years of service	Business experience
Mr. Li Shaofeng	45	Non-Executive Director	5	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 2011. 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	53	Independent Non-Executive Director	7	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	45	Independent Non-Executive Director	7	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	51	Independent Non-Executive Director	7	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
22 June 2012

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 2012 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 four executive directors, one non-executive director and three independent non-executive directors. More than one-third of the Board is 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 2012 is as follows:

Name of Directors	**Number of attendance/ Number of meetings held**
Mr. Cheung Ngan	5/5
Mr. Chan Chung Chun, Arnold	5/5
Mr. Zhau Chong Dei (appointed on 29 March 2012)	0/1
Mr. Lee Ming Zang (appointed on 29 March 2012)	0/1
Mr. Li Shaofeng	5/5
Mr. Chan Francis Ping Kuen	5/5
Mr. Hu Guang	5/5
Mr. Chan Chak Paul	5/5

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

Remuneration Committee

The Remuneration 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 2012 and the attendance of the member of the Remuneration 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 Remuneration 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 and senior management;

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 executive directors and senior management in connection with any loss or termination of their office or compensation arrangement relating to dismissal or removal of directors.

The revised full terms of reference setting out the committee's authority and its role are available on the Stock Exchange's website and the Company's website.

The Remuneration 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 Note 9 to the financial statements.

Audit Committee

The Audit Committee is composed of 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 2012 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 2012, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2011, the interim report for the six months ended 30 September 2011 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 their attendance in the Committee's meetings where necessary. For corporate governance functions, the Audit Committee reviewed the Group's compliance with the Code, including respective policies and practices, and disclosures in this Corporate Governance Report.

The revised full terms of reference setting out the committee's authority and its role are available on the Stock Exchange's website and the Company's website.

Nomination Committee

The Board established a Nomination Committee on 28 March 2012. The Nomination Committee is composed of two independent non-executive directors and one executive director, being Mr. Chan Francis Ping Kuen, Mr. Chan Chak Paul and Mr. Cheung Ngan. Mr. Chan Francis Ping Kuen acts as the Chairman of the Nomination Committee.

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

i) to review the structure, size and composition of the board;

ii) to identify individuals suitably qualified to become board members;

iii) to access the independence of the independent non-executive directors; and

iv) to make recommendations to the board on the appointment or reappointment of directors and succession planning for directors.

The full terms of reference setting out the committee's authority and its role are available on the Stock Exchange's website and the Company's website.

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 ended 31 March 2012.

AUDITORS' RESPONSIBILITIES AND REMUNERATION

The statement of the Company's auditor BDO Limited regarding their report responsibilities is set out in the Independent Auditors' Report on pages 29 and 30 of this report. For the year ended 31 March 2012, the auditors of the Company received approximately HK$882,000 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 2012 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. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee will normally attend the Annual General Meetings and other shareholders' meetings of the Company to answer any questions raised.

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 31 to 100, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 2012 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, 22 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**144,226**	312,408
Cost of sales		**(133,704)**	(306,698)
Gross profit		**10,522**	5,710
Other income and gains	7	**1,834**	929
Selling and distribution costs		**(5)**	(3)
Administrative expenses		**(37,050)**	(58,429)
Finance costs	8	**(1,376)**	(1,590)
Share of profit of an associate	19	**166**	493
Loss before income tax	11	**(25,909)**	(52,890)
Income tax credit	12(a)	**564**	–
Loss for the year		**(25,345)**	(52,890)
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**(3,919)**	23,363
Total comprehensive income for the year		**(29,264)**	(29,527)
Loss attributable to:			
– Owners of the Company		**(21,289)**	(43,077)
– Non-controlling interests		**(4,056)**	(9,813)
		(25,345)	(52,890)
Total comprehensive income attributable to:			
– Owners of the Company		**(23,916)**	(26,753)
– Non-controlling interests		**(5,348)**	(2,774)
		(29,264)	(29,527)
Loss per share			
– Basic and diluted (HK$)	15	**(0.0154)**	(0.0331)

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**19,303**	28,020
Construction in progress	17	**93,896**	87,384
Interests in associates	19	**700**	818
Goodwill	20	**47,009**	47,688
Other intangible assets	21	**14,947**	15,163
Value-added-tax recoverable		**15,304**	15,132
Total non-current assets		**191,159**	194,205
Current assets			
Accounts receivable	22	**–**	3,529
Other receivables, deposits and prepayments		**8,712**	15,610
Cash and bank balances		**62,460**	75,996
Total current assets		**71,172**	95,135
Total assets		**262,331**	289,340
Current liabilities			
Accounts payable	23	**–**	3,470
Other payables and accruals		**1,452**	1,371
Receipts in advance		**3,775**	–
Obligations under finance leases	24	**–**	752
Tax payable		**–**	564
Total current liabilities		**5,227**	6,157
Net current assets		**65,945**	88,978
NET ASSETS		**257,104**	283,183

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Equity			
Share capital	25	**13,844**	13,832
Reserves		**138,781**	159,524
Equity attributable to owners of the Company		**152,625**	173,356
Non-controlling interests		**104,479**	109,827
TOTAL EQUITY		**257,104**	283,183

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 2012

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 25)	**Share premium** HK$'000 (Note 27(a))	**Contributed surplus** HK$'000 (Note 27(b))	**Share options reserve** HK$'000 (Note 27(c))	**Foreign currency translation reserve** HK$'000 (Note 27(d))	**Capital reserve** HK$'000 (Note 27(e))	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 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
Loss for the year	–	–	–	–	–	–	(21,289)	(21,289)	(4,056)	(25,345)
Other comprehensive income	–	–	–	–	(2,627)	–	–	(2,627)	(1,292)	(3,919)
Total comprehensive income	–	–	–	–	(2,627)	–	(21,289)	(23,916)	(5,348)	(29,264)
Share-based payments	–	–	–	2,633	–	–	–	2,633	–	2,633
Exercise of share options (Note 25(ii))	12	1,051	–	(511)	–	–	–	552	–	552
Lapse of share options	–	–	–	(538)	–	–	538	–	–	–
At 31 March 2012	**13,844**	**178,418**	**20,566**	**66,859**	**7,957**	**687**	**(135,706)**	**152,625**	**104,479**	**257,104**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before income tax		**(25,909)**	(52,890)
Adjustments for:			
Interest income	7	**(5)**	(3)
Interest expenses	8	**1,376**	1,590
Depreciation of property, plant and equipment	11	**4,522**	5,659
Share-based payments		**2,633**	2,633
Impairment loss on prepayments	11	**–**	8,100
Share of profit of an associate	19	**(166)**	(493)
Operating cash flows before movements in working capital		**(17,549)**	(35,404)
Decrease in accounts receivable		**3,529**	1,694
Decrease/(increase) in other receivables, deposits and prepayments		**6,898**	(7,378)
Increase in value-added-tax recoverable		**(172)**	(4,046)
(Decrease)/increase in accounts payable		**(3,470)**	3,470
Increase/(decrease) in other payables and accruals		**81**	(2,967)
Increase/(decrease) in receipts in advance		**3,775**	(198)
NET CASH USED IN OPERATING ACTIVITIES		**(6,908)**	(44,829)
INVESTING ACTIVITIES			
Dividend received from an associate		**272**	964
Payments to acquire property, plant and equipment		**(43)**	(129)
Expenditure for construction in progress		**(2,511)**	(4,943)
Interest received		**5**	3
NET CASH USED IN INVESTING ACTIVITIES		**(2,277)**	(4,105)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'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)	552	6,854
Interest paid		(2,752)	(1,579)
Finance lease interest paid		(16)	(227)
Repayment of obligations under finance leases		(744)	(2,977)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(2,960)	44,703
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,145)	(4,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		75,996	77,647
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,391)	2,580
CASH AND CASH EQUIVALENTS AT END OF YEAR		62,460	75,996
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		62,460	75,996

Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**–**	–
Interests in subsidiaries	18	**149,737**	158,089
Total non-current assets		**149,737**	158,089
Current assets			
Prepayments		**149**	150
Cash and bank balances		**521**	15,265
Total current assets		**670**	15,415
Total assets		**150,407**	173,504
Current liabilities			
Accruals		**634**	500
Tax payable		**–**	12
Total current liabilities		**634**	512
Net current assets		**36**	14,903
NET ASSETS		**149,773**	172,992
Equity			
Share capital	25	**13,844**	13,832
Reserves	27	**135,929**	159,160
TOTAL EQUITY		**149,773**	172,992

On behalf of the Board

Cheung Ngan
Director

Chan Chung Chun, Arnold
Director

1. CORPORATION INFORMATION

Sinocop Resources (Holdings) Limited (the "Company") was 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 are 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 – effective 1 January 2011

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 2010
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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 – effective 1 January 2011 (Continued)

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has amended its accounting policies on related parties accordingly. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

(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.

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets [1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [5]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [4]
HKFRS 9	Financial Instruments [5]
HKFRS 10	Consolidated Financial Statements [3]
HKFRS 12	Disclosure of Interests in Other Entities [3]
HKFRS 13	Fair Value Measurement [3]
HKAS 27 (2011)	Separate Financial Statements [3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [3]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

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

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

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

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, classification 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.

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

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

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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 (the "Group"). 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.

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 that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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)

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 April 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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 that represent present ownership interests in the subsidiary 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interests in the associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the associates' profits and losses resulting from these transactions is eliminated against the carrying value of the associates.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

In the Company's statement of financial position, interests in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

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.

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;

– default or delinquency in interest or principal payments;

– 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

i) Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

i) *Financial assets (Continued)*

Effective interest method

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

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

Derecognition of financial assets

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

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

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

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.

Effective interest method

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.

Derecognition of financial liabilities

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

(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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 each 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

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

(b) (Continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(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 and value in use, the Group uses independent valuations as appropriate 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.

Income taxes

There may be certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such determination is made.

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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**144,226**	312,408	**–**	–	**144,226**	312,408
Reportable segment profit/(loss)	**1,949**	(11,238)	**(10,143)**	(24,539)	**(8,194)**	(35,777)
Share of profit of an associate	**166**	493	**–**	–	**166**	493
Interest income	**2**	2	**1**	–	**3**	2
Unallocated					**2**	1
Total interest income					**5**	3
Depreciation	**–**	–	**8,029**	10,519	**8,029**	10,519
Unallocated					**355**	681
Total depreciation					**8,384**	11,200
Impairment loss on prepayments	**–**	8,100	**–**	–	**–**	8,100
Reportable segment assets	**31,825**	35,094	**228,221**	236,536	**260,046**	271,630
Interests in associates	**700**	818	**–**	–	**700**	818
Additions to non-current assets	**–**	–	**7,774**	10,822	**7,774**	10,822
Unallocated					**34**	7
Total additions to non-current assets					**7,808**	10,829
Reportable segment liabilities	**57**	3,478	**4,429**	1,490	**4,486**	4,968

6. SEGMENT REPORTING (Continued)

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

	2012 HK$'000	2011 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**144,226**	312,408
Loss before income tax		
Reportable segment loss	**(8,194)**	(35,777)
Unallocated other income and gains	**97**	113
Unallocated share-based payments	**(2,633)**	(2,633)
Unallocated other corporate expenses	**(13,803)**	(13,003)
Finance costs	**(1,376)**	(1,590)
Consolidated loss before income tax	**(25,909)**	(52,890)
Assets		
Reportable segment assets	**260,046**	271,630
Unallocated corporate assets	**2,285**	17,710
Consolidated total assets	**262,331**	289,340
Liabilities		
Reportable segment liabilities	**4,486**	4,968
Unallocated corporate liabilities	**741**	1,189
Consolidated total liabilities	**5,227**	6,157

6. SEGMENT REPORTING (Continued)

(c) Geographic information

During the years ended 31 March 2012 and 2011, the Group's business revenue, based on where the customers were located, 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	
	2012	2011
	HK$'000	HK$'000
PRC, including Hong Kong	**281**	1,000
Chile	**190,178**	192,387
Asia Pacific	**700**	818
	191,159	194,205

(d) Information about major customers

For the year ended 31 March 2012, the Group's revenue of HK$144,226,000 represented sales to the sole customer in the metal and minerals trading segment.

For the year ended 31 March 2011, sales to two customers in the metal and minerals trading segment of HK$200,507,000 and HK$111,901,000 respectively accounted for 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:

	2012 HK$'000	2011 HK$'000
Turnover		
Sale of metals and minerals	**144,226**	312,408
Other income and gains		
Interest income	**5**	3
Rental income	**1,734**	465
Sundry income	**95**	461
	1,834	929

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Bank charges and trust receipt loans interest	**2,752**	1,579
Finance charges on obligations under finance leases	**16**	227
Total interest expenses	**2,768**	1,806
Less: amount capitalised in construction in progress	**(1,392)**	(216)
	1,376	1,590

Borrowing costs capitalised during the year mainly arose on the general borrowing pool which are calculated by applying a capitalisation rate of 1.53% to expenditure on construction in progress. Borrowing costs capitalised in construction in progress last year were all related to finance charges on obligations under finance leases.

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 2012

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Cheung Ngan	–	1,059	12	1,071
Mr. Chan Chung Chun, Arnold	–	351	12	363
Mr. Zhau Chong Dei	–	–	–	–
Mr. Lee Ming Zang	–	–	–	–
Sub-total	–	1,410	24	1,434
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	1,410	24	1,734

9. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2011

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Cheung Ngan	–	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

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 2012 and 2011, there were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 March 2012 and 2011. 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 2012 and 2011.

During the years ended 31 March 2012 and 2011, no share options were granted to the directors.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2011: one) director, details of whose remuneration are set out in Note 9 to the financial statements. The details of the remuneration of the remaining three (2011: four) non-director highest paid individuals are as follows:

	2012 **HK$'000**	2011 HK$'000
Basic salaries, allowances and benefits in kind	**1,862**	2,316
Pension contributions	**24**	29
	1,886	2,345

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

	2012 **Number of employees**	2011 Number of employees
HK$Nil to HK$1,000,000	**3**	4

No share options were granted to these highest paid individuals during the years ended 31 March 2012 and 2011.

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2012 **HK$'000**	2011 HK$'000
Auditors' remuneration	**882**	566
Impairment loss on prepayments (Note)	**–**	8,100
Exchange losses, net	**139**	32
Operating lease rentals on leasehold land and buildings	**3,647**	4,418
Depreciation of property, plant and equipment	**8,384**	11,200
Less: amount capitalised in construction in progress	**(3,862)**	(5,541)
	4,522	5,659
Staff costs (including directors' remuneration – Note 9)		
– Salaries and wages	**7,674**	12,183
– Other benefits	**851**	956
– Share-based payments	**2,633**	2,633
– Pension contributions	**143**	157
	11,301	15,929

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 unfavourable political conditions in Africa affected the supplier's ability to supply products to the Group and the recoverability of the prepayment was in doubt and the Group fully provided for the balance in 2011. The Group has not been able to utilise the deposit during the year as selling price of the ores continued to be depressed.

12. INCOME TAX

(a) Income tax credit of HK$564,000 for the year ended 31 March 2012 represented over provision of Hong Kong profits tax in respect of prior years. 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 2012, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK$116,369,000 (2011: HK$100,319,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these 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:

	2012		2011	
	HK$'000	**%**	HK$'000	%
Loss before income tax	**(25,909)**		(52,890)	
Tax credit at the applicable rates	**(4,314)**	**16.64**	(8,836)	16.71
Non-taxable revenue	**(1)**	**–**	–	–
Non-deductible expenses	**1,650**	**(6.88)**	6,359	(12.02)
Share of profit of an associate	**(27)**	**0.10**	(81)	0.15
Effect of tax losses and temporary differences not recognised	**2,692**	**(9.87)**	2,558	(4.84)
Over provision in respect of prior years	**(564)**	**(2.07)**	–	–
Tax credit and effective tax rate for the year	**(564)**	**(2.07)**	–	–

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company includes a loss of HK$2,404,000 (2011: HK$1,594,000) 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 2012 (2011: 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:

	2012	2011
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(21,289)**	(43,077)

	2012	2011
	Number	Number
Weighted average number of ordinary shares in issue	**1,384,019,760**	1,302,715,500

Diluted loss per share is same as basic loss per share as presented for the years ended 31 March 2012 and 2011 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 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
Additions	–	–	–	–	43	43
Exchange realignment	(96)	(32)	–	(674)	(62)	(864)
At 31 March 2012	**6,691**	**2,185**	**2,811**	**46,624**	**8,373**	**66,684**
Accumulated depreciation:						
At 1 April 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
Charge for the year	–	109	301	6,783	1,191	8,384
Exchange realignment	–	(6)	–	(449)	(33)	(488)
At 31 March 2012	**–**	**546**	**2,658**	**37,228**	**6,949**	**47,381**
Carrying amount:						
At 31 March 2012	**6,691**	**1,639**	**153**	**9,396**	**1,424**	**19,303**
At 31 March 2011	6,787	1,774	454	16,404	2,601	28,020

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 2012 was HK$Nil (2011: HK$3,096,000).

The Company

	Equipment HK$'000
Cost:	
At 1 April 2010	131
Disposals	(60)
At 31 March 2011 and 2012	71
Accumulated depreciation:	
At 1 April 2010	131
Disposals	(60)
At 31 March 2011 and 2012	71
Carrying amount:	
At 31 March 2012	**–**
At 31 March 2011	–

17. CONSTRUCTION IN PROGRESS

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**87,384**	67,283
Expenditure recognised in the course of construction	**7,765**	10,700
Exchange realignment	**(1,253)**	9,401
At 31 March	**93,896**	87,384

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 fair value with reference to the valuation of the Group's ores processing and trading business as at 31 March 2012 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 2012.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**135,788**	133,154
Amounts due from subsidiaries	**740,235**	719,562
Amounts due to subsidiaries	**(22,995)**	(15,336)
	717,240	704,226
	853,028	837,380
Less: Provision for impairment	**(703,291)**	(679,291)
	149,737	158,089

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 2012 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 2012	Attributable equity interest 2011	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 2012	2011	Principal activities
Grand Capital Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Hero Gain Limited	Hong Kong	HK$100	**100%**	100%	Dormant
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
Tong Guan La Plata Company Limited ("TGLP")	British Virgin Islands	US$50,000,000	**60%#**	60%#	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 2012	Attributable equity interest 2011	Principal activities
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 office accommodations to group companies

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 2012 and 2011.

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 2012 HK$'000	2011 HK$'000
Share of net assets	**700**	818

Particulars of the Group's associates as at 31 March 2012 are as follows:

Name of associate	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2012	2011	Principal activities
China Anshan Corporation Sdn. Bhd.#*	Corporate	Malaysia	**49%**	49%	Investment holding
Terengganu Anshan Iron & Steel Sdn. Bhd.#*	Corporate	Malaysia	**24%**	24%	Dormant
TAM Mining Sdn. Bhd.*	Corporate	Malaysia	**25%**	25%	Mining and refining of iron ores

As at 31 March 2012, 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 losses of these associates for the year was HK$5,000 (2011: net profits of HK$76,000) and unrecognised share of losses cumulatively was HK$547,000 (2011: HK$549,000).

* 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:

	2012	2011
	HK$'000	HK$'000
Total assets	**3,667**	4,210
Total liabilities	**(3,986)**	(4,085)
Net (liabilities)/assets	**(319)**	125
Group's share of net assets	**700**	818
Turnover	**–**	7,177
Profit for the year	**650**	2,166
Group's share of profit for the year	**166**	493

20. GOODWILL

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**47,688**	42,017
Exchange realignment	**(679)**	5,671
At 31 March	**47,009**	47,688

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.

20. GOODWILL (Continued)

Impairment testing of goodwill and intangible assets with indefinite useful lives

Goodwill acquired through business combinations as stated above and water use rights as further detailed in Note 21 with carrying amount as at 31 March 2012 of HK$47,009,000 (2011: HK$47,688,000) and HK$14,931,000 (2011: HK$15,147,000) respectively have been allocated to the ores processing and trading business segment for impairment testing.

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 business by reference to a valuation of its fair value performed by an independent firm of professional valuers based on the discounted cash flow method. The discounted cash flow calculations use cash flow projections based on financial budgets approved by management covering a ten-year period from 1 April 2012 to reflect the length of time management is committed to exploit economic benefits from the ores processing business and also the expected useful lives of the processing plant and machinery the Group has invested or will invest.

Below are the key assumptions used for the discounted cash flow calculations:

	2012	2011
	Percentage	Percentage
Gross profit margin	**38.40**	55.09
Discount rate	**22.64**	29.73
Growth rate within the projected period	**Nil**	Nil

Management determined the budgeted gross profit margin based on relevant data pertaining to the ores processing industry in Chile. There is no growth rate because management believes that the Group can attain maximum production capacity based on planned resources in the first year of commercial production and sustain such capacity throughout the remaining budgeted period. 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 2012.

21. OTHER INTANGIBLE ASSETS

	The Group		
	Water use rights HK$'000	Other HK$'000	Total HK$'000
At 1 April 2010	13,346	14	13,360
Exchange realignment	1,801	2	1,803
At 31 March 2011	15,147	16	15,163
Exchange realignment	(216)	–	(216)
At 31 March 2012	**14,931**	**16**	**14,947**

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 and tested for impairment annually.

As detailed in Notes 17 and 20 to the financial statements, there was no impairment on the water use rights as at 31 March 2012.

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	
	2012	2011
	HK$'000	HK$'000
Within 3 months	**–**	656
4 to 6 months	**–**	2,873
	–	3,529

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

As at 31 March 2011, accounts receivable aged with 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. These accounts receivable related to independent customers that have a good trade record with the Group and were fully settled during the year.

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	
	2012	2011
	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

The Group had obligations under finance leases repayable at the end of reporting period as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	–	769	–	752
Less: Future finance charges	–	(17)		
Present value of lease obligations	–	752		

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. The average lease term was two to three years. As at 31 March 2011, the weighted average effective borrowing rate was 10.60%. Interest rates were fixed at the contract date, and therefore exposed the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. The Group's obligations under finance leases were secured by the lessors' title to the leased assets.

The Group has no such lease obligations as at 31 March 2012.

25. SHARE CAPITAL

	2012 Number of shares	2012 HK$'000	2011 Number of shares	2011 HK$'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	**1,383,196,800**	**13,832**	1,258,296,800	12,583
Placing of shares (Note (i))	**–**	**–**	110,000,000	1,100
Exercise of share options (Note (ii))	**1,200,000**	**12**	14,900,000	149
At end of year	**1,384,396,800**	**13,844**	1,383,196,800	13,832

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 1,200,000 (2011: 14,900,000) ordinary shares in the Company at a total consideration of HK$552,000 (2011: HK$6,854,000) of which HK$12,000 (2011: HK$149,000) was credited to share capital and HK$540,000 (2011: HK$6,705,000) was credited to the share premium account. An amount of HK$511,000 (2011: 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 5 August 2011, 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.

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 01/04/2010	Exercised during the year	Lapsed during the year	At 31/03/2011	Exercised during the year	Lapsed during the year	At 31/03/2012	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	–	(500,000)	43,500,000	HK$0.86	HK$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	–	5,000,000	–	–	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	(1,200,000)	(500,000)	65,900,000	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	(1,200,000)	(1,000,000)	114,400,000				

The weighted average remaining contractual life of options outstanding at the end the year was 6.7 years (2011: 7.7 years).

Of the total number of options outstanding at the end of the year, 113,400,000 (2011: 114,600,000) were exercisable at the end of the year.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$1.04 (2011: HK$1.20).

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.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 (2011: HK$2,633,000) 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 34 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").

27. RESERVES (Continued)

The Group (Continued)

(b) Contributed surplus

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

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

(c) 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).

(d) 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).

(e) 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.

27. RESERVES (Continued)

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 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
Loss for the year	–	–	–	(26,404)	(26,404)
Exercise of share options (Note 25(ii))	1,051	–	(511)	–	540
Share-based payments (Note 26)	–	–	2,633	–	2,633
Lapse of share options	–	–	(538)	538	–
At 31 March 2012	**178,418**	**87,109**	**66,859**	**(196,457)**	**135,929**

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:

	2012 HK$'000	2011 HK$'000
Acquisition of property, plant and equipment	**12,956**	12,956
Capital expenditure in respect of the construction of ores processing plant	**3,811**	3,815
	16,767	16,771

(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:

	2012 HK$'000	2011 HK$'000
Within one year	**3,523**	2,253
After one year but within five years	**2,747**	1,871
	6,270	4,124

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$1,734,000 (2011: 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:

	2012	2011
	HK$'000	HK$'000
Within one year	**2,732**	959
After one year but within five years	**8,042**	2,597
	10,774	3,556

As at 31 March 2012, the Group had received CHP235,818,000 (equivalent to approximately HK$3,775,000) rental income from tenant in advance and included in receipts in advance to the consolidated financial statements.

29. RELATED PARTY TRANSACTIONS

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

29. RELATED PARTY TRANSACTIONS (Continued)

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2012 and 2011:

(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 2012 and 2011.

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. BANKING FACILITIES

As at 31 March 2011, the Company had provided a corporate guarantee of US$12,000,000, equivalent to approximately HK$93,600,000 to a bank as a security for the banking facilities granted to the Group. The banking facilities were not utilised by the Group at 31 March 2011. These bank facilities had expired as at 31 March 2012. The Company is awaiting a formal notice from the bank of the release of the deed of charge.

The directors did not consider it probable that a claim would be made against the Company under the above guarantee as at 31 March 2011. The Company had not recognised any deferred income in respect of the above guarantee as its fair value could not be reliably measured and its transaction price was nil.

In addition, the Company's directors, Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold, have provided an unlimited personal guarantee to a bank as a security for bank facilities granted to the Group as at the end of the reporting period. No banking facilities were utilised by the Group at the end of the reporting period.

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.

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 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 31 March 2012, the Group had no credit risk in respect of trade receivables (2011: accounts receivables were primarily due from the Group's two 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.

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 Group's financial liabilities at the end of the reporting period are all interest-free and are due within one year or on demand.

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 ("US$").

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.

	2012	2011
	US$'000	US$'000
Accounts receivable	**–**	452
Other receivables, deposits and prepayments	**790**	1,748
Cash and bank balances	**6,525**	5,054
Accounts payable	**–**	(445)
Other payables and accruals	**(79)**	(33)
Obligations under finance leases	**–**	(91)
	7,236	6,685

As at 31 March 2012 and 2011, a subsidiary whose functional currency is Chilean Peso ("CHP") had other receivables, cash and bank balances and accruals 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 regards the 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 2012 and 2011.

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 2012 and 2011 may be categorised as follows:

	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**64,749**	81,317
Financial liabilities		
Financial liabilities measured at amortised cost	**1,452**	5,593

34. VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND PLACING OF NEW SHARES

(i) On 29 March 2012, the Group entered into an acquisition agreement with the vendors, one of whom is a connected person within the terms of the Listing Rules, to acquire from the vendors the entire issued share capital of a BVI company which is the beneficiary of the glauberite mine located in Guangxi, the PRC. The total consideration for this acquisition is HK$3 billion to be satisfied as to HK$90 million by the allotment of 120 million new ordinary shares of the Company at HK$0.75 per share and HK$2.91 billion by the issue of convertible notes to the vendors on completion of the acquisition.

(ii) On the same date, the Company entered into a placing agreement to place, through the placing agent, not less than 265 million and not more than 333.3 million new ordinary shares of the Company at prices of no less than HK$0.6 per share and not more than HK$0.75 per share to at least six independent investors.

Details of the above acquisition and placing of shares are set out in the announcement of the Company dated 29 March 2012 (the "Announcement"). Completion of the acquisition and placing of shares will take place on completion of the conditions precedent of the acquisition agreement as set out in the Announcement, or such other dates as the vendors and the Group may agree. Completion of the acquisition and placing of shares have not taken place as at the date of this report as the aforesaid conditions precedent have not been fulfilled.

35. COMPARATIVE FIGURES

Value-added-tax recoverable as at 31 March 2011 previously included as a current asset in the consolidated statement of financial position has been re-classified as a non-current asset. The directors believe that the present classification is more appropriate in reflecting the Group's affairs.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2012.