



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

Stock Code: 00476



INTERIM REPORT 2008/09

Condensed Consolidated Income Statement

The board of directors (the “Directors”) of Sinocop Resources (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008.

Condensed Consolidated Income Statement

	Note	Six months ended	
		30 September	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
TURNOVER	4	30,722	233,813
Cost of sales		(19,835)	(214,366)
Gross profit		10,887	19,447
Other revenue	5	2,578	3,399
Selling and distribution costs		(2,126)	(1,180)
Finance costs	6	(8,433)	(3,436)
Administrative expenses-others		(17,663)	(9,172)
Administrative expenses-share-based payment expenses	15	(1,317)	(35,494)
Share of profits of associates		1,947	1,363
LOSS BEFORE TAXATION	8	(14,127)	(25,073)
Taxation	9	-	-
LOSS FOR THE PERIOD		(14,127)	(25,073)
ATTRIBUTABLE TO			
Equity holders of the Company		(12,328)	(25,073)
Minority interests		(1,799)	-
		(14,127)	(25,073)
LOSS PER SHARE	10		
Basic		HK\$(0.0098)	HK\$(0.0237)
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

		30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	21,823	20,557
Construction in progress	12	24,627	20,762
Interests in associates		2,734	1,700
Goodwill		41,641	52,161
Other intangible assets		6,890	8,631
		<u>97,715</u>	<u>103,811</u>
Current assets			
Other receivables, deposits and prepayments		35,278	14,152
Value-added-tax recoverable		5,275	5,130
Pledged bank deposits		–	6,201
Cash and bank balances		233,197	251,361
		<u>273,750</u>	<u>276,844</u>
Current liabilities			
Accounts payable	13	430	–
Other payables and accruals		3,314	2,362
Receipts in advance		212	566
Obligations under finance leases		6,567	6,602
Convertible notes		96,867	–
Amount due to a minority shareholder		–	1,075
Tax payable		564	564
		<u>107,954</u>	<u>11,169</u>
Net current assets		<u>165,796</u>	<u>265,675</u>
Total assets less current liabilities		<u>263,511</u>	<u>369,486</u>
Non-current liabilities			
Obligations under finance leases		6,296	6,422
Convertible notes		–	88,464
		<u>6,296</u>	<u>94,886</u>
NET ASSETS		<u>257,215</u>	<u>274,600</u>

Condensed Consolidated Balance Sheet

		30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
	Note		
EQUITY			
Share capital	14	12,583	12,583
Reserves		124,913	155,882
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		137,496	168,465
Minority interests		119,719	106,135
		<hr/>	<hr/>
TOTAL EQUITY		257,215	274,600
		<hr/>	<hr/>

Condensed Consolidated Statement of Changes In Equity

Attributable to equity holders of the Company

	Foreign											
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Convertible notes reserve (unaudited) HK\$'000	Share options reserve (unaudited) HK\$'000	Currency translation reserve (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Contribution from shareholders (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
At 1 April 2008	12,583	122,777	20,566	27,024	35,494	11,190	-	-	(6,169)	168,465	106,135	274,600
Exchange differences arising on translation of overseas operations	-	-	-	-	-	(20,645)	-	-	-	(20,645)	(676)	(21,321)
Net loss for the period	-	-	-	-	-	-	-	-	(12,328)	(12,328)	(1,799)	(14,127)
Total recognised income and expenses for the period	-	-	-	-	1,317	(20,645)	-	-	(12,328)	(32,973)	(2,475)	(35,448)
Share-based payment	-	-	-	-	-	-	-	-	-	-	-	1,317
Capital injection to a subsidiary from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	15,600
Discount on acquisition of assets from shareholders	-	-	-	-	(6,489)	-	-	687	-	687	459	1,146
Lapsed of share options	-	-	-	-	-	-	-	-	6,489	-	-	-
At 30 September 2008	12,583	122,777	20,566	27,024	30,322	(9,455)	-	687	(67,008)	137,496	119,719	257,215
At 1 April 2007	10,333	6,540	20,566	-	-	-	1,274	-	(17,169)	21,544	-	21,544
Change in fair value of available-for-sale investments and total income recognised directly in equity	-	-	-	-	-	-	1,509	-	-	1,509	-	1,509
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	(2,783)	-	-	(2,783)	-	(2,783)
Net loss for the period	-	-	-	-	-	-	-	-	(25,073)	(25,073)	-	(25,073)
Total recognised income and expenses for the period	-	-	-	-	-	-	(1,274)	-	(25,073)	(26,347)	-	(26,347)
Share-based payment	-	-	-	-	35,494	-	-	-	-	35,494	-	35,494
Equity component of First Convertible Notes	-	-	-	17,377	-	-	-	-	-	17,377	-	17,377
Equity component of Second Convertible Notes	-	-	-	39,308	-	-	-	-	-	39,308	-	39,308
Issue of shares upon conversion of First Convertible Notes	1,750	67,171	-	(17,377)	-	-	-	-	-	51,544	-	51,544
At 30 September 2007	12,083	73,711	20,566	39,308	35,494	-	-	-	(42,242)	138,920	-	138,920

Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(26,878)	(43,144)
Net cash generated from investing activities	1,107	8,255
Net cash generated from financing activities	10,224	212,068
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(15,547)	177,179
Effect of foreign exchange rate changes	(2,617)	–
	<hr/>	<hr/>
Cash and bank balances at beginning of period	(18,164)	177,179
	251,361	5,983
	<hr/>	<hr/>
Cash and bank balances at end of period	233,197	183,162
	<hr/>	<hr/>

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost convention.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 March 2008.

Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied, for the first time, the following new interpretations issued by HKICPA that are effective for the Group's financial year beginning on 1 April 2008:

HK(IFRIC) – Int 12	Service concession arrangement
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact these new amendments, new standards and new interpretation is expected to be in the period of initial application.

Notes to Condensed Financial Statements

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied to customers. An analysis of turnover and results by business and geographical segments is as follows:

Primary reporting format – business segments:

	Metals and minerals trading (unaudited) HK\$'000	Ores processing and trading (unaudited) HK\$'000	Unallocated (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Segment results for the six months ended 30 September 2008 (unaudited)				
Revenue from external customers	30,722	–	–	30,722
Segment results	4,417	(4,498)	–	(81)
Unallocated operating income and expenses	–	–	(7,560)	(7,560)
Finance costs	(8)	–	(8,425)	(8,433)
Share of profits of associates	1,947	–	–	1,947
Loss for the period				(14,127)
Segment assets and liabilities as at 30 September 2008 (unaudited)				
Segment assets	29,995	330,735	–	360,730
Interests in associates	2,734	–	–	2,734
Unallocated assets	–	–	8,001	8,001
Total assets				371,465
Segment liabilities	1,053	14,266	–	15,319
Unallocated liabilities	–	–	98,931	98,931
Total liabilities				114,250
Capital expenditure incurred during the period	–	15,688	33	15,721

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued):

	Metals and minerals trading (unaudited) HK\$'000	Ores processing and trading (unaudited) HK\$'000	Unallocated (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Segment results for the six months ended 30 September 2007 (unaudited)				
Revenue from external customers	233,813	–	–	233,813
Segment results	16,205	–	–	16,205
Unallocated operating income and expenses	–	–	(39,205)	(39,205)
Finance costs	(561)	–	(2,875)	(3,436)
Share of profits of associates	1,363	–	–	1,363
Loss for the period				(25,073)
Segment assets and liabilities as at 31 March 2008 (audited)				
Segment assets	39,740	318,344	–	358,084
Interests in associates	1,700	–	–	1,700
Unallocated assets	–	–	20,871	20,871
Total assets				380,655
Segment liabilities	421	14,806	–	15,227
Unallocated liabilities	–	–	90,828	90,828
Total liabilities				106,055
Capital expenditure incurred during the year	–	4,825	1,655	6,480

Notes to Condensed Financial Statements

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments:

As over 90% of the Group's business revenue was generated from the People's Republic of China (the "PRC"), including Hong Kong, no geographical segments information regarding the Group's business revenue and results is presented.

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

	Carrying amount of segment assets		Capital expenditure incurred	
	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
PRC (including Hong Kong)	243,489	250,327	33	1,655
South America	109,643	113,603	15,688	4,825
Asia Pacific	10,534	7,946	–	–
Others	7,799	8,779	–	–
	371,465	380,655	15,721	6,480

5. OTHER REVENUE

	Six months ended 30 September	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Interest income	1,492	835
Exchange gains, net	902	–
Others	184	459
Gain on disposals of available-for-sale investments	–	2,105
	2,578	3,399

6. FINANCE COSTS

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Imputed interest on convertible notes	8,403	2,856
Finance charges on obligations under finance lease	683	19
Others	8	561
	<hr/>	<hr/>
Total interest expenses	9,094	3,436
Less: amount capitalised into construction in progress	(661)	–
	<hr/>	<hr/>
	8,433	3,436
	<hr/>	<hr/>

The borrowing costs have been capitalised at a rate of 10.9% per annum (30 September 2007: Nil).

7. DIVIDEND

The directors do not recommend the payment or declaration of interim dividend for the six months ended 30 September 2008 (2007: HK\$ Nil).

8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,917	367
Less: amount capitalized into construction in progress	(2,381)	–
	536	367
Staff costs (including directors' remuneration)		
– Salaries, wages and other benefits	3,870	1,932
– Share-based payments	1,317	35,494
– Pension contributions	74	68
	5,261	37,494

9. TAXATION

No Hong Kong profits tax has been provided for the Company and its subsidiaries as the Group sustained a loss for the period (2007: HK\$ Nil).

Overseas taxes on assessable profits of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

There were no significant unprovided deferred tax liabilities at the balance sheet date (31 March 2008: HK\$ Nil).

10. LOSS PER SHARE

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

Loss

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to equity holders of the Company	(12,328)	(25,073)

Number of shares

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	1,258,296,800	1,058,441,800

No diluted loss per share for both periods has been presented as the share options granted and convertible notes issued had an anti-dilutive effect on the basic loss per share for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

Movements during the period are as follows:

	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<hr/>		
Cost:		
At 1 April	31,066	4,457
Through acquisition of a subsidiary	2,025	–
Additions	6,604	1,652
Exchange realignment	(5,800)	–
	<hr/>	<hr/>
	33,895	6,109
Less:		
Accumulated depreciation	(12,072)	(3,354)
	<hr/>	<hr/>
At 30 September	<u>21,823</u>	<u>2,755</u>

12. CONSTRUCTION IN PROGRESS

Movements during the period are as follows:

	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<hr/>		
At 1 April	20,762	–
Expenditures recognised in the course of construction	8,975	–
Other additions	142	–
Exchange realignment	(5,252)	–
	<hr/>	<hr/>
At 30 September	<u>24,627</u>	<u>–</u>

13. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	As at	
	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Current to three months	<u>430</u>	<u>–</u>

14. SHARE CAPITAL

	As at			
	30 September 2008		31 March 2008	
	(unaudited) Number of shares	(unaudited) HK\$'000	(audited) Number of shares	(audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At end of period/year	<u>1,258,296,800</u>	<u>12,583</u>	<u>1,258,296,800</u>	<u>12,583</u>

15. 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.

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

No option was granted under the Scheme during the period under review.

The movements in the number of share options under the Scheme during the period are as follows:

Date of offer of grant	Balance as at 1 April 2008	Lapsed during the period	Balance as at 30 September 2008	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
11/07/2007	54,700,000	(10,000,000)	44,700,000	HK\$0.86	HK\$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	5,000,000	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
	<u>59,700,000</u>	<u>(10,000,000)</u>	<u>49,700,000</u>				

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Fair value of share options and assumptions:

	Offer of grant at	
	11 July 2007	18 September 2007
Fair value at measurement date	HK\$0.65	HK\$2.63
Expected volatility	160.11%	163.08%
Expected life	2 years	2.53 to 6.53 years
Expected dividends	0%	0%
Risk-free interest rate	4.757%	4.272%

The Group has recognised an equity-settled share-based payment expense of approximately HK\$1,317,000 (2007: HK\$35,494,000) during the period.

16. RELATED PARTY TRANSACTIONS

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

As at 30 September 2008, the acquisition had not yet been completed.

16. RELATED PARTY TRANSACTIONS (Continued)

- (b) On 16 October 2007, Minera Catania Verde S.A. (“Verde”), a subsidiary of the Company, has entered into a master agreement “Master Agreement” with CAH Reserve S.A. (“CAH”), a related company in which Mr. Cheung and Mr. Chan jointly and indirectly own 44% effective interests. 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 period (30 September 2007: Nil).

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

- (c) During the period, the Group acquired a group of assets with net carrying value of approximately HK\$1,996,000 at a consideration of HK\$850,001 from a company, which was jointly controlled by Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold.
- (d) The remuneration of key management during the period included directors’ remuneration only was as follows:

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
Short-term benefits	627	627
Pension contributions	12	12
	639	639

17. CONTINGENT LIABILITIES

As at 30 September 2008, the Company had provided corporate guarantee of US\$12,000,000 (31 March 2008: US\$12,000,000), equivalent to approximately HK\$93,600,000 (31 March 2008: approximately HK\$93,600,000) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

18. COMMITMENTS

	As at	
	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000

(a) Operating lease commitments

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

Within one year	3,520	487
Later than one year and not later than five years	4,342	–
	<u>7,862</u>	<u>487</u>

(b) Capital commitments

At the balance sheet date, capital commitments not provided for were as follows:

Contracted for	<u>27,297</u>	<u>2,926</u>
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19. NON-ADJUSTING POST BALANCE SHEET EVENTS

At 9 December 2008, the Company entered into an agreement in relation to the early redemption of the convertible notes with the principal amount of HK\$30 million. Pursuant to the agreement, the principal amount of the convertible notes of HK\$30 million will be redeemed by payment of HK\$27 million to the subscriber, and the subscriber agree to waive all its entitlement of the redemption premium, being an amount equal to 4% on the principal amount of the convertible notes upon original maturity on 31 August 2009. Upon the aforesaid redemption, the Company's current liabilities on the convertible notes will be decreased by approximately HK\$27 million.

RESULTS

During the six months ended 30 September 2008, the Group had recorded a turnover of approximately HK\$30.7 million (2007: HK\$233.8 million). The decrease in turnover was mainly due to the downturn of worldwide economy which resulted in sharp decrease in demand and prices of both metals and minerals during the period. As a result, the gross profit had decreased to approximately HK\$10.9 million for the period under review (2007: HK\$19.4 million).

Resulted from the decrease in gross profit as discussed above, the Group had recorded a loss of approximately HK\$14.1 million for the period (2007: approximately HK\$25.1 million). The major expenses during the period included administrative expenses – others, for approximately HK\$17.7 million (2007: approximately HK\$9.2 million), which included the expenses of our ores processing operation in Chile acquired during the second half of last financial year. The loss for the current period was also resulted from the recognition of (i) the non-cash interest of approximately HK\$8.4 million (2007: HK\$2.9 million) charged on zero coupon convertible notes issued, and (ii) share-based payment of approximately HK\$1.3 million (2007: HK\$35.5 million) in respect of the vesting of share options during the period (please refer note 15 to the condensed financial statements for details). By eliminating the effect of these non-cash expenses, the Group should have recorded a net loss of approximately HK\$4.4 million for the period (2007: profit of approximately HK\$13.3 million).

The net loss attributable to the equity holders of the Company was HK\$12.3 million (2007: HK\$25.1 million). Basic loss per share for the period was HK\$0.0098 (2007: HK\$0.0237).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2008 (2007: Nil).

BUSINESS REVIEW

Metals and minerals trading

During the period, the turnover decreased due to the decrease in global demand and prices for commodities such as metals and minerals, as a result of the downturn of worldwide economy. The Group concentrated its trading in manganese ores during the current period which had higher gross profit margin as compared to iron ores traded during the last period.

Ores processing and trading

With a view to expanding vertically within the metals and minerals sector and diversifying into the mining and ores processing business, during the year ended 31 March 2008, the Group has entered into a sale and purchase agreement and a joint venture agreement as detailed below.

The Company had, through its wholly-owned subsidiary China Elegance Resources Limited, entered into a sale and purchase agreement on 7 August 2007 (the “Purchase Agreement”) in respect of the acquisition of 60% interest in Bellavista Holding Group Limited, which indirectly owns certain mining concessions in Chile (please refer to the Company’s announcement dated 29 August 2007 and note 30 to the Company’s 2008 annual report for details). The completion of this acquisition is subject to fulfillment of certain conditions, including the completion of Valuation Report and Technical Advisor Report, which are yet to be fulfilled at the balance sheet date. In view of the difficulties encountered due to high altitudes and cold weather of the drilling sites, the construction of infrastructure and road to the sites were delayed. As a result, the completion of Valuation Report and Technical Advisor Report will be delayed. According to the Purchase Agreement, the long stop date for the conditions to be fulfilled or waived, as the case may be, shall be 31 August 2009.

The Company had, through another wholly-owned subsidiary Zhong Xing Heng He Holdings Limited, entered into a joint venture agreement with Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited (“CCCL”) on 16 October 2007 (the “JV Agreement”) in relation to the formation of a new joint venture which is principally engaged in the operation of processing copper ores in Chile through a wholly-owned subsidiary, Verde, to be injected by CCCL into the new joint venture company. The new joint venture company, Tong Guan La Plata Company Limited (“TGLP”), was established and the injection of Verde into TGLP was completed in March 2008 (please refer to the Company’s circular dated 3 December 2007 and note 28 to the Company’s 2008 annual report for details). During the period, the Group had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant and is in the progress of obtaining environmental licenses from the Chilean Government.

In view of the current global financial crisis and the sharp decrease in demand and prices of metals and minerals, the Group had already slowed down the progress of the ores processing plant.

LIQUIDITY AND FINANCIAL RESOURCES

In the previous period, the Company had issued two series of zero coupon convertible notes with an aggregate principal amount of HK\$70 million and HK\$160 million respectively. The full amount of HK\$70 million of the first convertible notes as well as HK\$50 million of the second convertible notes were converted into ordinary shares of the Company during the last financial year. During the current period, no convertible notes were converted into shares of the Company and principal amount of HK\$110 million of the second convertible notes remained outstanding as at 30 September 2008. After the balance sheet date, the Company entered into an early redemption agreement for which HK\$30 million of the second convertible notes were early redeemed. Details of the early redemption are set out in note 19 to the condensed financial statements.

Apart from the convertible notes issued and converted as mentioned above, the Group generally finances its operations with internally generated cash flows and finance leases during the period under review. However, the Group sometimes finances its trading business by short term bank loans and negotiation with banks for discount of bills receivable.

The Group's gearing ratio as at 30 September 2008 was 79.8% (31 March 2008: 60.9%), based on the total borrowings under finance leases, convertible notes and advance from a minority shareholder totaling HK\$109.7 million (31 March 2008: HK\$102.6 million) and the equity attributable to the equity holders of the Company of HK\$137.5 million (31 March 2008: HK\$168.5 million).

Of the Group's total borrowings, HK\$103.4 million (31 March 2008: HK\$7.7 million) is due within one year, HK\$4.4 million (31 March 2008: HK\$94.1 million) is due more than one year but not exceeding two years, and HK\$1.9 million (31 March 2008: HK\$0.8 million) is due more than two years but not exceeding five years.

As at 30 September 2008, the Group had bank balances and cash of approximately HK\$233.2 million (31 March 2008: HK\$257.6 million). The Group had also obtained banking facilities with total amount of US\$12 million (31 March 2008: US\$12 million), equivalent to approximately HK\$93.6 million (31 March 2008: approximately HK\$93.6 million), which has not been utilised as at 30 September 2008. As at 30 September 2008, no bank deposit (31 March 2008: HK\$6.2 million) was pledged to obtain these banking facilities.

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

PROSPECTS

Despite the current global financial crisis and the sharp decrease in demand and prices of metals and minerals recently, the Directors remain reasonably optimistic about the future prospects of the Group's metals and minerals trading business as well as the ores processing and trading business. The Directors believe that the recent downturn in the demand and prices of commodities are normal in the ups and downs of economic cycles. Due to the severity of the current financial crisis, the worldwide economy may take longer to recover this time. However, with the rise of BRICs, i.e. Brazil, Russia, India and China, the demand for natural resources, such as metals and minerals, will remain strong when the world recovers. The Directors also believe that the formation of the new joint venture TGLP, and the proposed acquisition of Bellavista Holding Group Limited, are long term investments and will contribute to the Group's success in the ores processing and mining business and will enhance the Group's investment return in the long run.

In the meantime, the Group will closely monitor the current development of the recent financial crisis and its impact on the worldwide economy and may take any action including the adjustment of the progress of the Group's projects if necessary.

CONTINGENT LIABILITIES

At 30 September 2008, the Company had provided a corporate guarantee of US\$12 million (31 March 2008: US\$12 million) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

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 Listing Rules.

Management Discussion and Analysis

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 15 to the condensed financial statements.

No option was granted during the period under review.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, 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 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		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,611,232,469*	–	128.05%
Mr. Chan Chung Chun, Arnold	Interest of controlled corporation	1,300,000,000*	–	103.31%

* Included interests in 1,300,000,000 underlying shares representing the consideration shares which were agreed to be issued to Ceasers Development Limited, 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 60 shares of Bellavista Holding Group Limited (please refer to note 16(a) to the condensed financial statements for details).

Save as disclosed above, as at 30 September 2008, 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 note 16 to the condensed financial statements, 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 period under review.

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

As at 30 September 2008, 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		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,611,232,469 (Note 1)	–	128.05%
Mr. Chan Chung Chun, Arnold	Interest of controlled corporation	1,300,000,000 (Note 1)	–	103.31%
Ceasers Development Limited	Beneficial owner	1,300,000,000 (Note 2)	–	103.31%
Credit Suisse (Hong Kong) Limited	Beneficial owner	138,633,000 (Note 3)	–	11.02%

Management Discussion and Analysis

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Credit Suisse Group	Interest of controlled corporation	138,633,000 (Note 3)	–	11.02%
Plus All Holdings Limited	Beneficial owner	125,000,000 (Note 4)	–	9.93%
Shougang Holding (Hong Kong) Limited	Interest of controlled corporation	125,000,000 (Note 4)	–	9.93%
Deutsche Bank Aktiengesellschaft	Beneficial owner	80,000,000 (Note 5)	–	6.36%

Note:

- 1) Included interests in 1,300,000,000 underlying shares representing the consideration shares which were agreed to be issued to Ceasers Development Limited, 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 60 shares of Bellavista Holding Group Limited (please refer to note 16(a) to the condensed financial statements for details).
- 2) Interests in 1,300,000,000 underlying shares represent the consideration shares which were agreed to be issued to Ceasers Development Limited upon completion of acquisition of 60 shares of Bellavista Holding Group Limited (please refer to note 16(a) to the condensed financial statements for details).
- 3) Included 80,000,000 underlying shares representing the number of shares that are convertible by the convertible notes. None of the convertible notes were converted as at 30 September 2008. The other 58,633,000 shares represent beneficial interest. Credit Suisse (Hong Kong) Limited is beneficially owned by Credit Suisse Group. Accordingly, Credit Suisse Group is deemed to be interested in the shares and underlying shares in which Credit Suisse (Hong Kong) Limited is interested by virtue of the SFO.
- 4) The 125,000,000 shares represent beneficial interest of Plus All Holdings Limited. Plus All Holdings Limited is owned by Shougang Holding (Hong Kong) Limited. Accordingly, Shougang Holding (Hong Kong) Limited is deemed to be interested in the shares in which Plus All Holdings Limited is interested by virtue of the SFO.
- 5) Included 30,000,000 underlying shares representing the number of shares that are convertible by the convertible notes. The other 50,000,000 shares represent beneficial interest.

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 six months ended 30 September 2008.

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 during the six months ended 30 September 2008 except the following:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms, subject to re-election.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 period under review.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2008.

On behalf of the Board

Cheung Ngan

Chairman

Hong Kong, 10 December 2008