



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

Stock Code : 00476

# SINOCOP



# 中銅

Interim Report 2009/2010

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# Management Discussion and Analysis

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 2009.

## RESULTS

During the six months ended 30 September 2009, the Group had recorded a turnover of approximately HK\$137.1 million from its operation (2008: HK\$30.7 million). The increase in turnover was mainly due to the increase in sales volume of metals and minerals during the period. As a result, the gross profit had increased to approximately HK\$14.4 million for the period under review (2008: HK\$10.9 million).

The gross profit margin decreased from 35.4% in 2008 interim period to 10.5% in 2009 interim period. It was resulted from different composition of the trading products and the downward squeeze on prices from the financial crisis started at the fourth quarter of 2008. In 2008 interim period, the turnover was arisen from the trading of manganese ores only, whereas in 2009 interim period, around 90% of the turnover is contributed from the trading of iron ores, which have a relatively lower gross profit margin.

The Group recorded a loss of approximately HK\$13.3 million for the period as compared to HK\$14.1 million for the last period. Such a decrease in loss was mainly due to the increase in gross profit as discussed above and was set off by the decrease in other income and share of profit of an associate during the period. Also, there was a decrease in non-cash interest to approximately HK\$6.1 million (2008: HK\$8.4 million) charged on the zero coupon convertible notes issued.

The loss attributable to the equity holders of the Company was HK\$10.6 million (2008: HK\$12.3 million). Basic and diluted loss per share for the period was HK\$0.0084 per share (2008: HK\$0.0098 per share).

## INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2009 (2008: HK\$Nil).

# Management Discussion and Analysis

## **BUSINESS REVIEW**

### **Metals and minerals trading**

During the period under review, the contributions from metals and minerals trading had shown satisfactory improvement. The improvement was mainly due to the global business environment becoming more stable, as well as a strong and stable relationship with the Group's customers in the PRC. It is expected that the metals and minerals trading business will continue to improve, and the Group will continue to explore new customers at various provinces in the PRC.

### **Ores processing and trading**

The Company continued with the copper ores processing and trading operation in Chile through its joint venture company, Tong Guan La Plata Company Limited ("TGLP"). TGLP was 60% held by the Company through its wholly-owned subsidiary, Zhong Xing Heng He Holdings Limited. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. TGLP's wholly-owned subsidiary in Chile, Minera Catania Verde S.A. ("Verde"), had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant and had obtained environmental licenses from the Chilean Government in early 2009.

Since the global financial crisis which started around the fourth quarter of 2008, demand and prices of metals and minerals experienced a sharp decrease. As such from end of 2008, the Group had slowed down the progress on the development of the ores processing plant in Chile. Despite recent positive sign on the economy and recent increases in metals and minerals prices, the Group will be cautious in adjusting the development progress, and will continue to review the situation from time to time.

Notwithstanding the aforementioned, Verde had continued the expenditure in the Chilean projects such as engaging various experts locally for the construction in progress. Also, Verde had further acquired a water use right together with the related land in Chile during the period.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

In the current period, the remaining HK\$80 million of the convertible notes issued in previous period became matured and were fully redeemed by the Company with the payment of a 4% redemption premium on the outstanding aggregate amount.

Apart from the convertible notes as mentioned above, the Group generally finances its operations from 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.

The Group's gearing ratio as at 30 September 2009 was 5.5% (31 March 2009: 69.3%), based on the total borrowings under finance leases and convertible notes totaling HK\$6.8 million (31 March 2009: HK\$87.8 million) and the equity attributable to the equity holders of the Company of HK\$122.9 million (31 March 2009: HK\$126.7 million).

Of the Group's total borrowings, HK\$4.8 million (31 March 2009: HK\$84.1 million) is due within one year, HK\$2.0 million (31 March 2009: HK\$2.9 million) is due in more than one year but not exceeding two years, and HK\$Nil (31 March 2009: HK\$0.8 million) is due in more than two years but not exceeding five years.

As at 30 September 2009, the Group had bank balances and cash of approximately HK\$14.1 million (31 March 2009: HK\$187.1 million). The Group had also obtained banking facilities with a total amount of US\$12.0 million (31 March 2009: US\$12.0 million), equivalent to approximately HK\$93.6 million (31 March 2009: approximately HK\$93.6 million), none of which had been utilised by the Group as at 30 September 2009 (31 March 2009: sanctioned by the bank to utilise US\$3.7 million). As at 30 September 2009, no bank deposit (31 March 2009: approximately HK\$23 million) was pledged to obtain these banking facilities.

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

# Management Discussion and Analysis

## PROSPECTS

Despite the occurrence of global financial crisis in previous period, most of the major world economies have implemented various rescuing plans to tackle the crisis, including the appropriately relaxed fiscal policies and the government expenditure on infrastructures. Recently, the business environment is more stable and has shown observable positive sign. Although the recovery of global economy is not completely shown, it is observed that the prices of metals and minerals have increased gradually. Hence, the directors remain cautiously optimistic about the future prospects of the Group's metals and minerals trading business as well as the development of the ores processing and trading business.

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

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

## CONTINGENT LIABILITIES

At 30 September 2009, the Company had provided a corporate guarantee of US\$12 million (31 March 2009: US\$12 million) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group as at 30 September 2009 (31 March 2009, sanctioned by the bank to utilise US\$3.7 million).

## 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").

# 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 17 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 2009, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

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

# Management Discussion and Analysis

Note:

- 1) 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. Cheung Ngan held 50% interest in Great Base Holdings Limited and 51% interest in CM Universal Corporation.
- 2) The 1,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Chan Chung Chun, Arnold held 50% interest in Great Base Holdings Limited and 49% interest in CM Universal Corporation.

Save as disclosed above, as at 30 September 2009, 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 18 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.

# Management Discussion and Analysis

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

As at 30 September 2009, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner	311,232,469	–	24.73%
Plus All Holdings Limited	Beneficial owner	125,000,000 (Note 1)	–	9.93%
Shougang Holding (Hong Kong) Limited	Interest of controlled corporation	125,000,000 (Note 1)	–	9.93%

Note:

- 1) 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.

## 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 2009.

# Management Discussion and Analysis

## 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 2009 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.

# Management Discussion and Analysis

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 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 of the Group. The Committee and the external auditor had reviewed the unaudited interim financial statements for the six months ended 30 September 2009.

On behalf of the Board

**Cheung Ngan**

*Chairman*

Hong Kong, 15 December 2009

# Condensed Consolidated Income Statement

For the six months ended 30 September 2009

	Note	Six months ended	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
<b>TURNOVER</b>	5	<b>137,082</b>	30,722
Cost of sales		<b>(122,721)</b>	(19,835)
Gross profit		<b>14,361</b>	10,887
Other income and gains	5	<b>380</b>	2,578
Selling and distribution costs		<b>(3,070)</b>	(2,126)
Administrative expenses		<b>(19,062)</b>	(18,980)
Finance costs	6	<b>(6,208)</b>	(8,433)
Share of profit of an associate		<b>281</b>	1,947
LOSS BEFORE TAX	8	<b>(13,318)</b>	(14,127)
Tax	9	<b>-</b>	-
<b>LOSS FOR THE PERIOD</b>		<b>(13,318)</b>	(14,127)
<b>ATTRIBUTABLE TO</b>			
Equity holders of the Company		<b>(10,555)</b>	(12,328)
Minority interests		<b>(2,763)</b>	(1,799)
		<b>(13,318)</b>	(14,127)
<b>LOSS PER SHARE</b>	10		
Basic and diluted (HK\$)		<b>(0.0084)</b>	(0.0098)

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Note	Six months ended	
		30 September	
		2009	2008
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>		<b>(13,318)</b>	(14,127)
<b>Other comprehensive income/(loss):</b>			
Exchange differences arising on translation of overseas operations		<b>7,535</b>	(21,321)
<b>Total comprehensive loss for the period</b>		<b>(5,783)</b>	(35,448)
<b>ATTRIBUTABLE TO</b>			
Equity holders of the Company		<b>(5,118)</b>	(32,973)
Minority interests		<b>(665)</b>	(2,475)
		<b>(5,783)</b>	(35,448)

# Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Note	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	38,691	34,975
Construction in progress	12	55,516	39,556
Prepayments for acquisition of water use rights and land use rights		–	11,441
Interests in associates		2,147	2,248
Goodwill		40,979	38,807
Other intangible assets	13	13,030	6,445
		<b>150,363</b>	<b>133,472</b>
<b>Current assets</b>			
Accounts receivable	14	6,642	7,272
Other receivables, deposits and prepayments		73,253	18,160
Value-added-tax recoverable		9,244	7,224
Pledged bank deposits		–	22,996
Cash and bank balances		14,083	164,058
		<b>103,222</b>	<b>219,710</b>
<b>Current liabilities</b>			
Accounts payable	15	–	12,547
Other payables and accruals		6,801	8,444
Receipts in advance		193	196
Obligations under finance leases		4,794	6,937
Convertible notes		–	77,140
Tax payable		564	564
		<b>12,352</b>	<b>105,828</b>
<b>Net current assets</b>		<b>90,870</b>	<b>113,882</b>
<b>Total assets less current liabilities</b>		<b>241,233</b>	<b>247,354</b>
<b>Non-current liabilities</b>			
Obligations under finance leases		2,041	3,696
<b>NET ASSETS</b>		<b>239,192</b>	<b>243,658</b>

# Condensed Consolidated Statement of Financial Position

At 30 September 2009

		<b>30 September 2009 (unaudited) HK\$'000</b>	31 March 2009 (audited) HK\$'000
	Note		
<b>EQUITY</b>			
Share capital	16	<b>12,583</b>	12,583
Reserves		<b>110,300</b>	114,101
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>		<b>122,883</b>	126,684
Minority interests		<b>116,309</b>	116,974
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>239,192</b>	243,658
		<hr/>	<hr/>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Attributable to equity holders of the Company										
	Share capital	Share premium	Share contributed surplus	Convertible notes equity reserve	Share options reserve	Foreign currency translation reserve	Capital reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009 (audited)	12,583	122,777	20,566	19,654	31,638	(13,442)	687	(67,779)	126,684	116,974	243,658
Transfer to accumulated losses upon redemption of convertible notes	-	-	-	(19,654)	-	-	-	19,654	-	-	-
Share-based payments	-	-	-	-	1,317	-	-	-	1,317	-	1,317
Lapse of share options	-	-	-	-	(324)	-	-	324	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	-	5,437	-	(10,555)	(5,118)	(665)	(5,783)
At 30 September 2009 (unaudited)	12,583	122,777	20,566	-	32,631	(8,005)	687	(58,356)	122,883	116,309	239,192
At 1 April 2008 (audited)	12,583	122,777	20,566	27,024	35,494	11,190	-	(61,169)	168,465	106,135	274,600
Share-based payments	-	-	-	-	1,317	-	-	-	1,317	-	1,317
Lapse of share options	-	-	-	-	(6,489)	-	-	6,489	-	-	-
Contributions from shareholder arising on acquisition of subsidiaries	-	-	-	-	-	-	687	-	687	459	1,146
Capital injection to a subsidiary from a minority shareholder	-	-	-	-	-	(20,645)	-	(12,328)	(32,973)	15,600	15,600
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,475)	(2,475)	(35,448)
At 30 September 2008 (unaudited)	12,583	122,777	20,566	27,024	30,322	(9,455)	687	(67,008)	137,496	119,719	257,215

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(76,126)</b>	(26,878)
Net cash generated from investing activities	<b>13,677</b>	1,107
Net cash (used in)/generated from financing activities	<b>(88,069)</b>	10,224
Net decrease in cash and bank balances	<b>(150,518)</b>	(15,547)
Effect of foreign exchange rate changes	<b>543</b>	(2,617)
	<b>(149,975)</b>	(18,164)
Cash and bank balances at beginning of period	<b>164,058</b>	251,361
Cash and bank balances at end of period	<b>14,083</b>	233,197

# Notes to Condensed Interim Financial Statements

## **1. CORPORATE INFORMATION**

The Company was incorporated in Bermuda with limited liability. Its shares are listed on 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 Group are principally engaged in investment holding, trading of metals and minerals and processing of raw ores.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 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 Listing Rules.

The basis of preparation and the accounting policies adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2009, except as stated in note 3 below following the adoption of new and revised Hong Kong Financial Reporting Standards in the current period.

# Notes to Condensed Interim Financial Statements

## **3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by HKICPA that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs has no material effect on the results and financial position of the Group for the current or prior accounting periods. The principal effects of adopting HKAS 1 (Revised) and HKFRS 8 are as follows:

### **Presentation of financial statements**

As a result of the adoption of HKAS 1 (Revised), all income and expenses arising from transactions with non-owners are presented in the consolidated statement of comprehensive income, and the total carried to the consolidated statement of changes in equity. Details of the owner changes in equity are presented in the consolidated statement of changes in equity. The new format for the consolidated statement of comprehensive income and consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

### **Operating segments**

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of HKFRS 8 has no impact on the identification of the Group’s reportable segments as information reported to the Group’s chief operating decision maker for the purposes of allocation and assessment of performance is the same as those segments previously reported under the predecessor standard, HKAS 14 “Segment reporting”, which was analysed on the basis of the Group’s related products and geographical areas.

# Notes to Condensed Interim Financial Statements

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

### Operating segments (Continued)

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

		Effective date
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 32 (Amendment)	Classification of right issues	(v)
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 1 (Amendment)	First-time adoption of HKFRSs – additional exemptions for first-time adopters	(iv)
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	(iv)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(i)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(iii)

# Notes to Condensed Interim Financial Statements

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

### Operating segments (Continued)

		Effective date
2008 improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKFRS 5	(ii)
2009 improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 38, HKFRS 2, HK(IFRIC)-Int 9, HK(IFRIC)-Int 16	(ii)
	– HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(iv)

#### Effective date

- (i) Annual periods beginning on or after 30 June 2009
- (ii) Annual periods beginning on or after 1 July 2009
- (iii) Transfers of assets from customers received on or after 1 July 2009
- (iv) Annual periods beginning on or after 1 January 2010
- (v) Annual periods beginning on or after 1 February 2010

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of their initial application.

# Notes to Condensed Interim Financial Statements

## 4. SEGMENT INFORMATION

Information regarding the Group's reportable segments of metals and minerals trading and ore processing and trading is set out below:

### For the six months ended 30 September 2009

	Metals and minerals trading HK\$'000	Ores processing and trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment results for the six months ended 30 September 2009 (unaudited):				
Revenue from external customers	<b>137,082</b>	–	–	<b>137,082</b>
Segment results	<b>6,043</b>	<b>(5,718)</b>	–	<b>325</b>
Unallocated income				<b>46</b>
Unallocated corporate expenses				<b>(7,762)</b>
Finance costs				<b>(6,208)</b>
Share of profit of an associate	<b>281</b>	–	–	<b>281</b>
Loss for the period				<b>(13,318)</b>
Other segment information:				
Depreciation of property, plant and equipment	–	<b>4,486</b>	<b>345</b>	<b>4,831</b>
Capital expenditure incurred during the period	–	<b>20,189</b>	<b>2</b>	<b>20,191</b>
Segment assets and liabilities as at 30 September 2009 (unaudited):				
<b>Segment assets</b>	<b>75,699</b>	<b>172,224</b>	–	<b>247,923</b>
Interests in associates	<b>2,147</b>	–	–	<b>2,147</b>
Unallocated assets				<b>3,515</b>
Total assets				<b>253,585</b>
<b>Segment liabilities</b>	<b>5,053</b>	<b>7,748</b>	–	<b>12,801</b>
Unallocated liabilities				<b>1,592</b>
Total liabilities				<b>14,393</b>

# Notes to Condensed Interim Financial Statements

## 4. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2008

	Metals and minerals trading HK\$'000	Ores processing and trading HK\$'000	Unallocated HK\$'000	Consolidated 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 income				582
Unallocated corporate expenses				(8,142)
Finance costs				(8,433)
Share of profit of an associate	1,947	–	–	1,947
Loss for the period				(14,127)
Other segment information:				
Depreciation of property, plant and equipment	–	2,557	360	2,917
Capital expenditure incurred during the period	–	15,688	33	15,721
Segment assets and liabilities as at 31 March 2009 (audited):				
<b>Segment assets</b>	62,298	284,617	–	346,915
Interests in associates	2,248	–	–	2,248
Unallocated assets				4,019
Total assets				353,182
<b>Segment liabilities</b>	18,910	11,667	–	30,577
Unallocated liabilities				78,947
Total liabilities				109,524

# Notes to Condensed Interim Financial Statements

## 4. SEGMENT INFORMATION (Continued)

During the period ended 30 September 2009 and 2008, the Group's business revenue was all generated from the People's Republic of China (the "PRC").

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

	Carrying amount of segment assets		Capital expenditure incurred	
	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000	30 September 2009 (unaudited) HK\$'000	30 September 2008 (unaudited) HK\$'000
The PRC	27,139	176,650	2	33
South America	158,565	138,913	20,189	15,688
Asia Pacific	2,841	27,828	-	-
Others	65,040	9,791	-	-
	<b>253,585</b>	<b>353,182</b>	<b>20,191</b>	<b>15,721</b>

# Notes to Condensed Interim Financial Statements

## 5. TURNOVER, OTHER INCOME AND GAINS

Turnover, which is also the revenue, represents the invoiced value of goods supplied to customers. An analysis of turnover and other income and gains is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>		
Sales of metals and minerals	<b>137,082</b>	30,722
<b>Other income and gains</b>		
Interest income	<b>3</b>	1,492
Exchange gains, net	<b>–</b>	902
Sundry income	<b>377</b>	184
	<b>380</b>	2,578

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on convertible notes	<b>6,060</b>	8,403
Finance charges on obligations under finance leases	<b>464</b>	683
L/C charges and trust receipt loans interest	<b>133</b>	8
Total interest expenses	<b>6,657</b>	9,094
Less: amount capitalised into construction in progress	<b>(449)</b>	(661)
	<b>6,208</b>	8,433

# Notes to Condensed Interim Financial Statements

## 6. FINANCE COSTS (Continued)

The borrowing costs have been capitalised at a rate of 11.2% (2008: 10.9%) per annum.

## 7. DIVIDEND

The directors do not recommend the payment or declaration of interim dividend for the six months ended 30 September 2009 (2008: HK\$ Nil).

## 8. LOSS BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>4,831</b>	2,917
Less: amount capitalised into construction in progress	<b>(4,204)</b>	(2,381)
	<b>627</b>	536
Staff costs (including directors' remuneration)		
– Salaries, wages and other benefits	<b>4,632</b>	3,870
– Share-based payments	<b>1,317</b>	1,317
– Pension contributions	<b>78</b>	74
	<b>6,027</b>	5,261

# Notes to Condensed Interim Financial Statements

## 9. TAX

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

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

There were no significant unprovided deferred tax liabilities as at 30 September 2009 (31 March 2009: HK\$Nil). A deferred tax asset in respect of the unused tax losses has not been recognised due to the unpredictability of future profit streams.

## 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to equity holders of the Company	<b>(10,555)</b>	(12,328)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares	<b>1,258,296,800</b>	1,258,296,800

# Notes to Condensed Interim Financial Statements

## 10. LOSS PER SHARE (Continued)

Diluted loss per share for the period ended 30 September 2009 and 2008 are the same as the basic loss per share 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:

	<b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	2008 (unaudited) HK\$'000
Cost:		
At 1 April	<b>50,483</b>	31,066
Through acquisition of a subsidiary	–	2,025
Additions	<b>6,716</b>	6,604
Exchange realignment	<b>2,502</b>	(5,800)
	<b>59,701</b>	33,895
Less:		
Accumulated depreciation	<b>(21,010)</b>	(12,072)
At 30 September	<b>38,691</b>	21,823

## 12. CONSTRUCTION IN PROGRESS

Movements during the period are as follows:

	<b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	2008 (unaudited) HK\$'000
At 1 April	<b>39,556</b>	20,762
Expenditure recognised in the course of construction	<b>13,476</b>	9,117
Exchange realignment	<b>2,484</b>	(5,252)
At 30 September	<b>55,516</b>	24,627

# Notes to Condensed Interim Financial Statements

## 13. OTHER INTANGIBLE ASSETS

Movements during the period are as follows:

	<b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	2008 (unaudited) HK\$'000
At 1 April	<b>6,445</b>	8,631
Additions of water use rights	<b>6,126</b>	–
Exchange realignment	<b>459</b>	(1,741)
At 30 September	<b>13,030</b>	6,890

## 14. ACCOUNTS RECEIVABLE

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

	<b>As at</b> <b>30 September</b> <b>2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 March 2009 (audited) HK\$'000
Within 3 months	<b>6,642</b>	5,077
4 to 6 months	–	2,195
	<b>6,642</b>	7,272

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

# Notes to Condensed Interim Financial Statements

## 15. ACCOUNTS PAYABLE

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

	<b>As at</b>	
	<b>30 September 2009 (unaudited) HK\$'000</b>	31 March 2009 (audited) HK\$'000
Within 1 month	–	12,547

## 16. SHARE CAPITAL

	<b>As at</b>			
	<b>30 September 2009</b>		<b>31 March 2009</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<b>Number of shares</b>	<b>HK\$'000</b>	<b>Number of shares</b>	<b>HK\$'000</b>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>50,000,000,000</b>	<b>500,000</b>	50,000,000,000	500,000
<b>Issued and fully paid:</b>				
At end of period/year	<b>1,258,296,800</b>	<b>12,583</b>	1,258,296,800	12,583

# Notes to Condensed Interim Financial Statements

## 17. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution passed on 5 January 2004 (the "Adoption Date"), 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 will remain in force for 10 years from the Adoption Date. 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.

No option was granted under the Scheme during the period under review. And no share options were exercised during the period.

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 2009	Lapsed during the period	Balance as at 30 September 2009	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
11/07/2007	44,700,000	(500,000)	44,200,000	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>49,700,000</u>	<u>(500,000)</u>	<u>49,200,000</u>				

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.

The Group recognised an equity-settled share-based payment expense of approximately HK\$1,317,000 (2008: HK\$1,317,000) during the period.

# Notes to Condensed Interim Financial Statements

## 18. RELATED PARTY TRANSACTIONS

- (a) 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 period (2008: Nil).

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

- (b) The remuneration of key management included directors' remuneration only during the period was as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short-term benefits	<b>870</b>	627
Pension contributions	<b>12</b>	12
	<b>882</b>	639

# Notes to Condensed Interim Financial Statements

## 19. CONTINGENT LIABILITIES

As at 30 September 2009, the Company had provided a corporate guarantee of US\$12,000,000 (31 March 2009: US\$12,000,000), equivalent to approximately HK\$93,600,000 (31 March 2009: 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 as at 30 September 2009.

## 20. CAPITAL COMMITMENTS

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2009</b>	2009
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Acquisition of property, plant and equipment	<b>12,956</b>	12,956
Capital expenditure in respect of the construction of ores processing plant	<b>4,292</b>	6,602
	<b>17,248</b>	19,558