



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

Stock Code: 00476



INTERIM
REPORT
2011/2012

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Corporate Information

DIRECTORS

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

AUDIT COMMITTEE

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

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

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Hong Kong

STOCK CODE

0476

REGISTERED OFFICE

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Bermuda

PRINCIPAL REGISTRARS

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

Management Discussion and Analysis

The board of directors (the “Directors”) of Sinocop Resources (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011.

RESULTS

During the six months ended 30 September 2011, the Group had recorded a turnover of approximately HK\$85.9 million from its operation (30 September 2010: HK\$24.7 million). The increase in turnover was mainly due to the increase in sales volume of nickel ores during the period. Gross profit margin improved from 1.7% in 2010 interim period to 10.7% in 2011 interim period was resulted from the increase in selling prices of the products traded together with the decreasing cost of sea freight during the period. As a result, the gross profit had increased to approximately HK\$9.2 million for the period under review (30 September 2010: approximately HK\$0.4 million).

The Group recorded a loss of approximately HK\$12.9 million for the period as compared to a loss of HK\$24.5 million for the last period. Such a decrease in loss was mainly due to the increase in gross profit as discussed above and the increase in other income and gains to approximately HK\$1.8 million (30 September 2010: HK\$0.06 million).

The increase in selling and distribution costs to approximately HK\$6.7 million (30 September 2010: Nil) was resulted from the increase in turnover and gross profit margin.

The loss attributable to the owners of the Company was HK\$10.9 million (30 September 2010: HK\$19.4 million). Basic and diluted loss per share for the period was HK\$0.0079 per share (30 September 2010: HK\$0.0154 per share).

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2011 (30 September 2010: HK\$ Nil).

Management Discussion and Analysis

BUSINESS REVIEW

Metals and minerals trading

During the period under review, iron ores' price 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 the 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 and had obtained environmental licenses from the Chilean Government in early 2009.

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 the 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 in the Chilean projects such as engaging various experts locally for the construction in progress.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations from internally generated cash flows and sometimes finances its trading business by discounting its bills receivable.

The Group's gearing ratio as at 30 September 2011 was nil (31 March 2011: 0.4%) as the borrowings under finance leases was fully settled at the end of the reporting period. 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 30 September 2011, the equity attributable to the owners of the Company was HK\$154.7 million.

As at 30 September 2011, the Group had cash and bank balances of approximately HK\$67.5 million (31 March 2011: HK\$76.0 million). The Group had also obtained banking facilities of US\$12.0 million (31 March 2011: US\$12.0 million), equivalent to approximately HK\$93.6 million (31 March 2011: approximately HK\$93.6 million), none of which had been utilised as at 30 September 2011 (31 March 2011: HK\$ Nil). As at 30 September 2011, no bank deposit (31 March 2011: HK\$ Nil) was pledged to secure these banking facilities.

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

Management Discussion and Analysis

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. Save as disclosed in Note 20 to the condensed consolidated 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 1 November 2011.

CONTINGENT LIABILITIES

At 30 September 2011, the Company had provided a corporate guarantee of US\$12 million (31 March 2011: US\$12 million) to a bank in respect of the banking facilities granted to the Group. The banking facilities were not utilised by the Group as at 30 September 2011 (31 March 2011: HK\$ Nil).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed 44 (31 March 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.

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 16 to the condensed consolidated financial statements.

No option was granted during the period under review.

Management Discussion and Analysis

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2011 were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options		
			At 1 April 2011	Exercised	At 30 September 2011
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Chan Chung Chun, Arnold	16 December 2009	0.46	12,000,000	–	12,000,000
Mr. Li Shaofeng	16 December 2009	0.46	12,000,000	–	12,000,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Chan Chak Paul	16 December 2009	0.46	1,200,000	(1,200,000)	–

Save as disclosed above, at no time during the period 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.

Management Discussion and Analysis

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2011, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company/ associated corporation
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner	312,432,469 (Note 1)	–	22.57%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Mr. Chan Chung Chun, Arnold	Beneficial owner	12,000,000 (Note 3)	–	0.87%
	Interest of controlled corporation	1,000 (Note 4)	–	20%
Mr. Li Shaofeng	Beneficial owner	12,000,000 (Note 3)	–	0.87%
Mr. Chan Francis Ping Kuen	Beneficial owner	1,200,000 (Note 3)	–	0.087%
Mr. Hu Guang	Beneficial owner	1,200,000 (Note 3)	–	0.087%

Management Discussion and Analysis

Note:

- 1) The 312,432,469 shares include the underlying shares of 1,200,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above.
- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Cheung Ngan held 50% interest in Great Base Holdings Limited and 51% interest in CM Universal Corporation.
- 3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "directors' rights to acquire shares" above.
- 4) The 1,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Chan Chung Chun, Arnold held 50% interest in Great Base Holdings Limited and 49% interest in CM Universal Corporation.

Save as disclosed above, as at 30 September 2011, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Management Discussion and Analysis

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 17 to the condensed consolidated 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 2011, 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	312,432,469 (Note 1)	–	22.57%

Note:

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

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 2011.

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 2011 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 the 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 (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 2011.

On behalf of the Board

Sinocop Resources (Holdings) Limited

Cheung Ngan

Chairman

Hong Kong, 28 November 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

		For the six months ended	
		30 September	
		2011	2010
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Turnover	5	85,946	24,719
Cost of sales		(76,765)	(24,299)
Gross profit		9,181	420
Other income and gains	5	1,806	63
Selling and distribution costs		(6,665)	–
Administrative expenses		(16,947)	(25,538)
Finance costs	6	(436)	(21)
Share of profit of an associate		154	556
Loss before income tax	8	(12,907)	(24,520)
Income tax	9	–	–
Loss for the period		(12,907)	(24,520)
Other comprehensive income for the period:			
Exchange differences arising on translation of foreign operations		(13,820)	18,008
Total comprehensive income for the period		(26,727)	(6,512)
Loss attributable to:			
– Owners of the Company		(10,950)	(19,401)
– Non-controlling interests		(1,957)	(5,119)
		(12,907)	(24,520)
Total comprehensive income attributable to:			
– Owners of the Company		(20,522)	(6,762)
– Non-controlling interests		(6,205)	250
		(26,727)	(6,512)
Loss per share			
– Basic and diluted (HK\$)	10	(0.0079)	(0.0154)

Condensed Consolidated Statement of Financial Position

As at 30 September 2011

	Note	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	22,280	28,020
Construction in progress	12	84,975	87,384
Interests in associates		669	818
Goodwill		44,528	47,688
Other intangible assets		14,158	15,163
Total non-current assets		166,610	179,073
Current assets			
Accounts receivable	13	46,277	3,529
Other receivables, deposits and prepayments		9,453	15,610
Value-added-tax recoverable		14,355	15,132
Cash and bank balances		67,543	75,996
Total current assets		137,628	110,267
Total assets		304,238	289,340
Current liabilities			
Accounts payable	14	37,716	3,470
Other payables and accruals		7,633	1,371
Obligations under finance leases		–	752
Tax payable		564	564
Total current liabilities		45,913	6,157
Net current assets		91,715	104,110
NET ASSETS		258,325	283,183
Equity			
Share capital	15	13,844	13,832
Reserves		140,859	159,524
Equity attributable to owners of the Company		154,703	173,356
Non-controlling interests		103,622	109,827
TOTAL EQUITY		258,325	283,183

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	Attributable to owners of the Company							Total equity HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000		Total HK\$'000	Non-controlling interests HK\$'000
At 1 April 2011 (audited)	13,832	177,367	20,566	65,275	10,584	687	(114,955)	173,356	109,827	283,183
Loss for the period	-	-	-	-	-	-	(10,950)	(10,950)	(1,957)	(12,907)
Other comprehensive income	-	-	-	-	(9,572)	-	-	(9,572)	(4,248)	(13,820)
Total comprehensive income	-	-	-	-	(9,572)	-	(10,950)	(20,522)	(6,205)	(26,727)
Share-based payments	-	-	-	1,317	-	-	-	1,317	-	1,317
Exercise of share options	12	1,052	-	(512)	-	-	-	552	-	552
Lapse of share options	-	-	-	(538)	-	-	538	-	-	-
At 30 September 2011 (unaudited)	13,844	178,419	20,566	65,542	1,012	687	(125,367)	154,703	103,622	258,325
At 1 April 2010 (audited)	12,583	122,777	20,566	70,105	(5,740)	687	(72,988)	147,990	112,601	260,591
Loss for the period	-	-	-	-	-	-	(19,401)	(19,401)	(5,119)	(24,520)
Other comprehensive income	-	-	-	-	12,639	-	-	12,639	5,369	18,008
Total comprehensive income	-	-	-	-	12,639	-	(19,401)	(6,762)	250	(6,512)
Share-based payments	-	-	-	1,317	-	-	-	1,317	-	1,317
Lapse of share options	-	-	-	(1,111)	-	-	1,111	-	-	-
At 30 September 2010 (unaudited)	12,583	122,777	20,566	70,311	6,899	687	(91,278)	142,545	112,851	255,396

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(4,377)	(24,620)
Net cash used in investing activities	(1,714)	(2,101)
Net cash used in financing activities	(320)	(1,663)
Net decrease in cash and cash equivalents	(6,411)	(28,384)
Cash and cash equivalents at beginning of period	75,996	77,647
Effect of foreign exchange rate changes	(2,042)	1,232
Cash and cash equivalents at end of period	67,543	50,495

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 located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The 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 2011, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period.

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2011.

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

The adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting period. Accordingly, no prior adjustment is required.

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets ¹
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 12	Disclosure of Interests on Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 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

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

4. 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-maker for assessment of segment performance.

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Metal and minerals trading		Ores processing and trading		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Revenue from external customers	85,946	24,719	-	-	85,946	24,719
Reportable segment loss	(746)	(3,626)	(4,891)	(12,799)	(5,637)	(16,425)
Share of profit of an associate	154	556	-	-	154	556
Interest income	2	-	-	-	2	-
Unallocated					1	-
Total interest income					3	-
Depreciation	-	-	4,146	4,891	4,146	4,891
Unallocated					176	340
Total depreciation					4,322	5,231

Reconciliation of segment revenue and profit or loss

	For the six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	85,946	24,719
Loss before income tax		
Reportable segment loss	(5,637)	(16,425)
Unallocated other income and gains	68	49
Unallocated share-based payments	(1,317)	(1,317)
Unallocated other corporate expenses	(5,585)	(6,806)
Finance costs	(436)	(21)
Consolidated loss before income tax	(12,907)	(24,520)

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

	Metal and minerals trading As at		Ores processing and trading As at		Total As at	
	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Reportable segment assets	76,827	35,094	217,096	236,536	293,923	271,630
Interests in associates	669	818	–	–	669	818
Additions to non-current assets	–	–	3,707	10,822	3,707	10,822
Unallocated					25	7
Total additions to non-current assets					3,732	10,829
Reportable segment liabilities	44,384	3,478	732	1,490	45,116	4,968

Reconciliation of segment assets and liabilities

	As at	
	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Assets		
Reportable segment assets	293,923	271,630
Unallocated corporate assets	10,315	17,710
Consolidated total assets	304,238	289,340
Liabilities		
Reportable segment liabilities	45,116	4,968
Unallocated corporate liabilities	797	1,189
Consolidated total liabilities	45,913	6,157

4. SEGMENT REPORTING (CONTINUED)

(b) Geographic information

During the periods ended 30 September 2011 and 2010, the Group's business revenue was all generated from 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	
	As at	
	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
PRC, including Hong Kong	656	1,000
South America	165,285	177,255
Asia Pacific	669	818
	166,610	179,073

5. TURNOVER, OTHER INCOME AND GAINS

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

	For the six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (audited) HK\$'000
Turnover		
Sale of metals and minerals	85,946	24,719
Other income and gains		
Interest income	3	–
Rental income	722	–
Sundry income	574	63
Exchange gain	507	–
	1,806	63

6. FINANCE COSTS

	For the six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Bank charges and trust receipt loan interest	436	14
Finance charges on obligations under finance leases	17	141
Total interest expenses	453	155
Less: amount capitalised in construction in progress	(17)	(134)
	436	21

6. FINANCE COSTS (CONTINUED)

The borrowing costs have been capitalised at a rate of 11.41% (30 September 2010: 10.87%) per annum.

7. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2011 (30 September 2010: HK\$ Nil).

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,322	5,231
Less: amount capitalised in construction in progress	(1,998)	(4,569)
	2,324	662
Staff costs (including directors' remuneration)		
– Salaries and wages	3,733	6,060
– Other benefits	449	524
– Share-based payments	1,317	1,317
– Pension contributions	73	81
	5,572	7,982

9. INCOME TAX

No Hong Kong profits tax has been provided as the Group incurred losses during the current and prior periods.

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.

There were no significant unprovided deferred tax liabilities as at 30 September 2011 (31 March 2011: HK\$ Nil). No deferred tax asset in respect of the unused tax losses has been recognised due to the unpredictability of future profit streams.

10. LOSS PER SHARE

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

	For the six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(10,950)	(19,401)
	Number	Number
Weighted average number of ordinary shares in issue	1,383,642,720	1,258,296,800

Diluted loss per share is same as basic loss per share as presented for the six months ended 30 September 2011 and 2010 as the potential ordinary shares in issue are anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$34,000 (30 September 2010: HK\$86,000). Depreciation for items of property, plant and equipment was approximately HK\$4,322,000 (30 September 2010: HK\$5,231,000) during the period. Exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to HK\$1,452,000 (30 September 2010: HK\$3,148,000) during the period.

No disposal on property, plant and equipment was made during the period.

12. CONSTRUCTION IN PROGRESS

During the six months ended 30 September 2011, expenditure recognized as construction in progress amounted to approximately HK\$3,698,000 (30 September 2010: HK\$7,348,000). Exchange realignment arising on translation of construction in progress amounted to HK\$6,107,000 (30 September 2010: HK\$7,842,000) during the period.

13. ACCOUNTS RECEIVABLE

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

	As at	
	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Within 3 months	46,277	656
4 to 6 months	–	2,873
	46,277	3,529

13. ACCOUNTS RECEIVABLE (CONTINUED)

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

Accounts receivable aged within 3 months were neither past due nor impaired. For the accounts receivable aged between 4 to 6 months, they were past due but not impaired.

14. ACCOUNTS PAYABLE

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

	As at	
	30 September	31 March
	2011	2011
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Within 3 months	37,716	645
4 to 6 month	–	2,825
	37,716	3,470

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

15. SHARE CAPITAL

	30 September 2011		As at 31 March 2011	
	(unaudited) Number of shares	(unaudited) HK\$'000	(audited) Number of shares	(audited) 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 the period	1,383,196,800	13,832	1,258,296,800	12,583
Exercise of share options (Note (i))	1,200,000	12	14,900,000	149
Placing of shares (Note (ii))	–	–	110,000,000	1,100
At end of the period	1,384,396,800	13,844	1,383,196,800	13,832

Notes:

(i) Exercise of share options

During the period, options were exercised to subscribe for 1,200,000 (31 March 2011: 14,900,000) ordinary shares in the Company at a total consideration of HK\$552,000 (31 March 2011: HK\$6,854,000) of which HK\$12,000 (31 March 2011: HK\$149,000) was credited to share capital and HK\$540,000 (31 March 2011: HK\$6,705,000) was credited to the share premium account. An amount of HK\$512,000 (31 March 2011: HK\$6,353,000) was transferred from the share options reserve to the share premium account following the exercise of the options.

(ii) 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.

16. 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 its associates, including any executive directors and non-executive directors of the Company or any of its subsidiaries or its 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 options were exercised to subscribe for 1,200,000 ordinary shares during the period.

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

Date of offer of grant	At 1 April 2011	Exercised during the period	Lapsed during the period	At 30 September 2011	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
11/07/2007	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	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	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
	<u>116,600,000</u>	<u>(1,200,000)</u>	<u>(1,000,000)</u>	<u>114,400,000</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 expectations of early exercise of the share options are incorporated into the model.

The Group recognised an equity-settled share-based payment expense of approximately HK\$1,317,000 (30 September 2010: HK\$1,317,000) during the period.

17. 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 periods ended 30 September 2011 and 2010.

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

- (b) The remuneration of key management during the period and comprised directors’ remuneration only was as follows:

	For the six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
Short-term benefits	828	870
Pension contributions	12	12
	840	882

18. CONTINGENT LIABILITIES

As at 30 September 2011, the Company had provided a corporate guarantee of US\$12,000,000 (31 March 2011: US\$12,000,000), equivalent to approximately HK\$93,600,000 (31 March 2011: approximately HK\$93,600,000) to a bank as a security for banking facilities granted to the Group. The banking facilities were not utilised by the Group at the end of reporting period.

19. CAPITAL COMMITMENTS

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

	As at	
	30 September	31 March
	2011	2011
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment	12,956	12,956
Capital expenditure in respect of the construction of ores processing plant	3,797	3,815
	16,753	16,771

20. EVENTS AFTER THE REPORTING PERIOD

On 1 November 2011, an agreement has been entered into between the Company and the vendors in respect of a very substantial acquisition of the Company (the "Transaction"). The vendors are connected parties of the Company. As at the date of this interim report, the Company and the vendors of the Transaction are in the progress of negotiation to enter into a supplemental agreement to amend certain terms of the Transaction in order to enable the Company to fulfill the obligations as requested in the Transaction. The Transaction has not yet been completed.