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SINO RESOURCES GROUP LIMITED
(carrying on business in Hong Kong as Sino Gp Limited)

神州資源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 223)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the “Board”) of Sino Resources Group Limited (the “Company”, together with its subsidiaries, the “Group”) hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2015 together with the comparative figures of the corresponding period for 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2015

		Six months ended	
		30 September	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	103,415	91,064
Cost of sales		(101,327)	(87,339)
Gross profit		2,088	3,725
Other income	5	1,277	271
Other gains – net	5	796	20,045
Share-based payment		(20,950)	–
Other operating expenses		(13,748)	(23,522)
Loss on disposal of financial assets		(3,625)	–
Share of results of associates		(5,947)	1,786
(Loss)/profit from operating activities		(40,109)	2,305
Finance costs	6	(4,715)	(3,180)
Loss before tax		(44,824)	(875)
Taxation	7	(3)	–

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period		(44,827)	(875)
Other comprehensive expense			
Items that may be reclassified			
subsequently to profit or loss:			
Exchange differences on translation			
foreign operations		(1,597)	(371)
Share of exchange differences of associates		(89)	–
		<u> </u>	<u> </u>
Total comprehensive expenses			
for the period		(46,513)	(1,246)
		<u> </u>	<u> </u>
(Loss)/profit for the period			
attributable to:			
Owners of the Company		(44,423)	(1,483)
Non-controlling interests		(404)	608
		<u> </u>	<u> </u>
		(44,827)	(875)
		<u> </u>	<u> </u>
Total comprehensive (loss)/income			
for the period attributable to:			
Owners of the Company		(46,029)	(1,867)
Non-controlling interests		(484)	621
		<u> </u>	<u> </u>
		(46,513)	(1,246)
		<u> </u>	<u> </u>
Loss per share			
– Basic	9	(1.23) cents	(0.04) cents
		<u> </u>	<u> </u>
– Diluted	9	(1.23) cents	(0.04) cents
		<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	<i>Notes</i>	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		27,938	27,973
Interests in associates		55,761	61,797
Goodwill		46,630	46,630
Derivative financial assets		10,635	10,635
Available-for-sale financial assets		1	151,684
		140,965	298,719
Current assets			
Inventories		4	–
Trade receivables	10	794	221
Deposits, prepayments and other receivables	11	160,683	89,422
Deposits with banks	12	10,939	10,936
Cash and cash equivalents	12	4,172	1,366
		176,592	101,945
Less: Current liabilities			
Trade payables	13	106	675
Accrued liabilities and other payables	14	187,764	191,840
Amounts due to shareholders	15	18,438	24,199
Convertible notes	16	173,500	173,500
Promissory notes	17	23,691	–
		403,499	390,214
Total current liabilities		403,499	390,214
Net current liabilities		(226,907)	(288,269)
Total assets less current liabilities		(85,942)	10,450
Less: Non-current liabilities			
Promissory notes	17	–	70,564
		–	70,564
Net liabilities		(85,942)	(60,114)
Capital and reserves			
Share capital	18	38,651	38,651
Reserves		(115,514)	(90,170)
		(76,863)	(51,519)
Non-controlling interests		(9,079)	(8,595)
Total equity		(85,942)	(60,114)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 2502, 25/F, No. 9 Queen’s Road Central, Central, Hong Kong.

The principal activities of the Company is investment holding. The principal activities of its subsidiaries are engaged as an investing and developing in unconventional gas business, coal trading business and provision of agency services and trading of commodities.

This condensed consolidated interim financial statement has not been audited.

2. BASIS OF PREPARATION

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 of Appendix 16 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

These condensed consolidated interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 March 2015.

The accounting policies and method of computation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2015 except that the Group has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) as disclosed in Note 3 below.

In preparing these condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities of approximately HK\$226,907,000 (31 March 2015: HK\$288,269,000). The following items with an aggregate of amount of HK\$350,538,000 (31 March 2015: HK\$350,098,000), which are included in current liabilities, are related to the legal proceedings with Mr. Hung in the High Court: (i) HK\$158,600,000 (31 March 2015: HK\$158,600,000) was consideration payable for the acquisition of the Wealth Gain Group; (ii) HK\$18,438,000 (31 March 2015: HK\$17,998,000) was shareholder’s loan plus interests from Mr. Hung; and (iii) convertible notes of HK\$173,500,000 (31 March 2015: HK\$173,500,000). The Board considers the liquidity of the Group is good enough as at 30 September 2015.

In addition, substantial shareholders of the Company, have agreed to provide continuing financial support to the Group. As such, the directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies used in the preparation of the interim financial information are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2015, included in the annual report of the Group for the year ended 31 March 2015.

(a) Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The following revised standards and amendment to standard are mandatory for the first time for the financial year beginning on 1 April 2015.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
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The directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated interim financial statements of the Group.

(b) Standards and amendments in issue but not yet effective

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure ¹
HKFRS 9	Financial Instruments ¹
HKFRS 10 (Amendments), HKFRS 12 (Amendments) and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception ⁴
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKAS 1 (Amendments)	Presentation of Financial Statements – Disclosure Initiative ⁴
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁴
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with early application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group has not yet applied new and revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations.

4. SEGMENT INFORMATION

The Group organised into three operating divisions: unconventional gas business, coal trading business and agency fee and trading of commodities. These divisions are the basis on which the Group reports its segment information.

The three operating and reportable segments are as follows:

Unconventional gas business	Provision of services in connection with unconventional gas and import of technical equipment for the unconventional gas industry
Coal trading business	Trading of coal in the PRC
Agency fee and trading of commodities	Provision of agency services and trading of commodities in the PRC, Hong Kong and overseas

Turnover

Turnover represents the aggregate of agency fee and commodities sales.

An analysis of the Group's turnover are as follows:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover		
Agency fee and commodities sales	103,415	91,064

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 September 2015 (Unaudited)

	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Agency fee and trading of commodities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
Turnover from external customers	<u>–</u>	<u>–</u>	<u>103,415</u>	<u>103,415</u>
Result				
Segment (loss)/profit	<u>(2,532)</u>	<u>–</u>	<u>296</u>	<u>(2,236)</u>
Unallocated income				3,376
Unallocated corporate expenses				(10,727)
Share-based payment				(20,950)
Loss on disposal of financial assets				(3,625)
Share of results of associates				(5,947)
Finance costs				(4,715)
Loss before tax				(44,824)
Taxation				(3)
Loss for the period				<u>(44,827)</u>

For the six months ended 30 September 2014 (Unaudited)

	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Agency fee and trading of commodities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
Turnover from external customers	–	–	91,064	91,064
Result				
Segment (loss)/profit	(2,048)	–	2,433	385
Unallocated income				21,444
Unallocated corporate expenses				(21,310)
Share of results of associates				1,786
Finance costs				(3,180)
Loss before tax				(875)
Taxation				–
Loss for the period				(875)

Turnover reported above represents revenue generated from external customers. There was no inter-segment sales in the period (six months ended 30 September 2014: HK\$Nil).

Segment results represent the (loss)/profit generated by each segment without allocation of corporate expenses, share-based payments, loss on disposal of financial assets, share of results of associates, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment measurement.

Segment assets and liabilities
As at 30 September 2015 (Unaudited)

	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Agency fee and trading of commodities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	45,135	71,107	737	116,979
Interests in associates				55,761
Unallocated corporate assets				144,817
				<u>317,557</u>
Liabilities				
Segment liabilities	2,066	4,023	11,221	17,310
Unallocated corporate liabilities				386,189
				<u>403,499</u>

As at 31 March 2015 (Audited)

	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Agency fee and trading of commodities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	41,785	70,244	312	112,341
Interest in an associate				61,797
Unallocated corporate assets				226,526
				<u>400,664</u>
Liabilities				
Segment liabilities	2,459	2,543	11,866	16,868
Unallocated corporate liabilities				443,910
				<u>460,778</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets and interests in an associates. Goodwill and derivate financial assets are allocated to reportable segments; and
- all liabilities are allocated to reportable segments other than corporate liabilities, amounts due to shareholders, convertible notes and promissory notes.

Other segment information

	Six months ended 30 September			
	Depreciation and amortisation		Additions to non-current assets	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Unconventional gas business	173	47	1,278	113
Coal trading business	3	3	–	–
Unallocated	93	107	28	–
	<u>269</u>	<u>157</u>	<u>1,306</u>	<u>113</u>

Geographical information

The Company is domiciled in Hong Kong. The Group's operations are mainly located in the PRC and Hong Kong. The following analysis of the Group's turnover by geographical area is disclosed for the periods ended 30 September 2015 and 2014.

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The PRC	–	2,379
Hong Kong	625	88,685
Overseas	102,790	–
	<u>103,415</u>	<u>91,064</u>

The following is an analysis of the carrying amount of non-current assets (excluding derivative financial assets, interests in associates and available-for-sale financial assets) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
The PRC	73,751	73,708
Hong Kong	817	895
	74,568	74,603
	74,568	74,603

5. OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 September	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Other income		
Bank interest income	1,256	22
Sundry income	21	249
	1,277	271
	1,277	271
Other (losses)/gains – net		
Net exchange gains	5	17
Loss on early redemption notes on promissory notes	(222)	(1,302)
Gain on derecognition of promissory notes	1,013	–
Gain on disposal of shares	–	21,330
	796	20,045
	796	20,045

6. FINANCE COSTS

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interests on amounts due to shareholders wholly repayable within five years	539	440
Imputed interest expenses on promissory notes	4,175	2,740
Other finance costs	1	–
	<u>4,715</u>	<u>3,180</u>

7. TAXATION

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprises Income Tax	3	–
	<u>3</u>	<u>–</u>
Deferred tax	–	–
Tax credit for the period	3	–
	<u>3</u>	<u>–</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profit for the period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. DIVIDENDS

The Board of the Company do not recommend a payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
Loss for the period attributable to owners of the Company (<i>HK\$'000</i>)	(44,423)	(1,483)
Weighted average number of ordinary shares in issue (<i>'000</i>)	3,617,724	3,370,318
Basic loss per share (<i>HK cents per share</i>)	<u>(1.23)</u>	<u>(0.04)</u>

(b) Diluted

During the periods ended 30 September 2015 and 2014, the Company's outstanding convertible notes and share options were not included in the calculations of diluted loss per share because the effects of the Company's outstanding convertible notes and share options were anti-dilutive.

10. TRADE RECEIVABLES

According to the credit rating of different customers, the Group allows a range of credit periods not exceeding 180 days to its customers. The aged analysis of the trade receivables is as follows:

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
0 to 30 days	–	221
31 to 60 days	<u>794</u>	<u>–</u>
	<u>794</u>	<u>221</u>

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
Deposits	1,232	1,254
Prepayments	13,229	10,345
Other receivables	146,222	77,823
	<u>160,683</u>	<u>89,422</u>

As at 30 September 2015, included in other receivables of HK\$10,000,000 (31 March 2015: HK\$10,000,000) was the deposits previously paid to the High Court for an injunction order of Mr. Hung, Mega Wealth Capital Limited (“Mega Wealth”) and Webright Limited (“Webright”).

12. DEPOSITS WITH BANKS AND CASH AND CASH EQUIVALENTS

As at 30 September 2015, the fixed interest rate on deposits with banks of approximately HK\$10,939,000 (31 March 2015: approximately HK\$10,936,000), with maturity over one month but less than one year (31 March 2015: one month) is 0.28% per annum (31 March 2015: 0.1% per annum) and deposited into a designated interest-bearing bank account opened into the name of the Company as security for the litigations. The deposits with banks were denominated in HK\$.

13. TRADE PAYABLES

The following is an analysis of trade payables by aged based on the invoice date.

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
0 to 30 days	–	103
31 to 60 days	–	–
61 to 90 days	–	443
91 to 180 days	–	19
Over 180 days	106	110
	<u>106</u>	<u>675</u>

14. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
Accrued liabilities (<i>Note (i)</i>)	172,869	173,990
Other payables	5,174	8,238
Deposits received in advance	9,721	9,612
	<u>187,764</u>	<u>191,840</u>

Note:

- (i) Included in accrued liabilities of HK\$158,600,000 (31 March 2015: HK\$158,600,000) was consideration payables for acquisition of the Wealth Gain Group. On 15 December 2009, the Company issued legal proceeding against Mr. Hung in the High Court in connection with the acquisition of the Wealth Gain Group and also filed a statement of claim against Mr. Hung for, inter alia, the rescission of the Agreement on 1 February 2010.

15. AMOUNTS DUE TO SHAREHOLDERS

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 March 2015 <i>HK\$'000</i> (Audited)
Amount due to Mr. Hung (<i>Note (i)</i>)	18,438	17,998
Amount due to ACE Channel Limited (<i>Note (ii)</i>)	–	6,201
	<u>18,438</u>	<u>24,199</u>

Note:

- (i) The amount due to Mr. Hung is the principal amount and interests and details terms are summarised as follows:
- (1) HK\$3,000,000 loan is unsecured, bearing interest at a fixed rate of 8% per annum due on 3 December 2009;
 - (2) HK\$8,000,000 loan is unsecured, bearing interest at a fixed rate of 8% per annum due on 8 March 2010; and
 - (3) HK\$1,600,000 advanced is unsecured, non-interest bearing and repayable on demand.
- (ii) On 24 December 2014, the Company signed a shareholder's loan facility agreement of HK\$20,000,000 with ACE Channel Limited, beneficially owned by Mr. Gao Feng, a director of the Company, is unsecured, bearing interest at a prime rate plus 1% (i.e. 6%) per annum and due on 23 December 2015. The Company has already drawn down a total amount of HK\$6,156,000 as at 31 March 2015. The shareholder's loan was fully repaid subsequent to the year ended 31 March 2015.

16. CONVERTIBLE NOTES

The carrying values of the liability component of the convertible notes are as follows:

	As at 30 September 2015 HK\$'000	As at 31 March 2015 HK\$'000
Liability component		
Current		
Convertible Notes 2008 (<i>Note (i)</i>)	<u>173,500</u>	<u>173,500</u>

Notes:

- (i) On 31 March 2008, the Company issued HK\$345,000,000 zero coupon convertible notes (the “Convertible Notes 2008”) which as part of the consideration for the acquisition of Wealth Gain and its subsidiary (the “Wealth Gain Group”). Aggregate amount of HK\$171,500,000 was converted into the ordinary shares of the Company in prior years. The remaining balance of HK\$173,500,000 was matured on 30 March 2013, and therefore, the balance was classified as current liabilities. Convertible Notes 2008 matured on 30 March 2013 and the Company did not request the holders for mandatory conversion, therefore the convertible note equity reserve was released to accumulated losses.

The terms of the Convertible Notes 2008 are as follows:

- a. convertible at the option of the note holders into fully paid ordinary shares on or after 31 March 2008 and up to and including 30 March 2013 at a conversion price of HK\$0.5 per share;
- b. redeemable at the option of the Company at 100% of their principal amount at any time and from time to time, by written to notice to redeem the whole or part of the outstanding principal amount of the convertible notes; and
- c. convertible at the option of the Company to request the note holders for mandatory conversion of the prescribed amount of the convertible notes on or after the fifth anniversary of the issue date.

The Convertible Notes 2008 do not bear interest on the principal amount of the notes outstanding. The Convertible Notes 2008 will be redeemed on maturity at a value equal to the aggregate of its principal amount outstanding.

The Convertible Notes 2008 are denominated in HK\$ which is the same as the functional currency of the note issuing entity. As such, the exercise of the conversion option will give rise to the settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The conversion option is therefore accounted for as an equity instrument and is determined after deducting the liability component and the derivative component from the total proceeds.

The embedded derivatives relating to the Company's early redemption option in Note (b) above which are not closely related to the host contract shall be separately measured and included together with the liabilities component as a financial liability. The fair value of the derivative component is determined based on the valuation using binomial option pricing model. The fair value of the liabilities component is determined based on the valuation performed by Savills using discounted cash flow method. The effective interest rate of the host contract is determined to be 10.5%. The residual amount is assigned as the equity component for the conversion option and was included in the convertible notes equity reserve.

The liability component is carried as a current liability on the amortised cost basis until extinguished or conversion or redemption. The derivative component of the Convertible Notes 2008 is subsequently measured at fair value with changes recognised in the consolidated statement of comprehensive income. The value of the equity component is not remeasured in subsequent years.

On 22 January 2010, the High Court granted an ex parte Injunction Order against Mr. Hung, the Convertible Notes 2008 holder. The Injunction Order provides, among other things, that unless with the approval of the High Court, Mr. Hung must not, either by himself, his servants or agents or otherwise howsoever in any way dispose of or deal with or diminish the value of the Convertible Notes 2008 issued by the Company to Mr. Hung. Detail please refer to "Litigations and Contingent Liabilities" Note(b).

17. PROMISSORY NOTES

Movements of the promissory notes during the period/year are as follows:

	As at 30 September 2015 HK\$'000 Current (Unaudited)	As at 31 March 2015 HK\$'000 Non-current (Audited)
At the beginning of the period/year	70,564	11,611
Fair value of promissory notes issued (<i>Note (i), (ii)&(iii)</i>)	9,815	64,394
Derecognition of promissory notes (<i>Note (ii), (iii)</i>)	(59,385)	–
Imputed interest expenses charged (<i>Note (i), (ii), (iii)</i>)	4,175	8,448
Repayment during the period/year (<i>Note (i), (ii), (iii)</i>)	(1,700)	(16,294)
Loss on early redemption (<i>Note (i) & (ii)</i>)	222	2,405
	<hr/>	<hr/>
At the end of the period/year	23,691	70,564
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) On 21 February 2014, the Company issued a two-year non-interest bearing promissory note in the principal amount of HK\$20,295,000 (“the PN I”) as part of the consideration adjustment under the Fifth Supplemental Agreement of acquisition Zhan Sheng Investments Limited. The fair value of the PN I at the date of issue was estimated to be HK\$11,208,000 based on the effective interest rate of 34.6% per annum. As at 30 September 2015, the fair value of the PN I was approximately HK\$9,384,000 (31 March 2015: HK\$12,718,000).

The PN I is subsequently measured at amortised cost using effective interest method. An imputed interest expenses of approximately HK\$2,134,000 was recognised in profit or loss for the period ended 30 September 2015 (six months ended 30 September 2014: HK\$1,935,000).

During the period ended 30 September 2015, the Company partially settlement of the PN I of HK\$1,700,000 and incurred loss on early redemption of HK\$222,000 respectively (six months ended 30 September 2014: HK\$252,000 and HK\$92,000).

- (ii) On 18 August 2014, a wholly-owned subsidiary of the Company issued two 18-month interest bearing promissory notes in the principal amount of HK\$51,958,000 (“the PN II”) and HK\$8,542,000 (the “PN III”) as part of the consideration under the acquisition Sino United Energy Investment Co., Ltd (“Sino United”). The fair value of the PN II and PN III at the date of issue was estimated to be HK\$45,056,000 and HK\$7,407,000 respectively based on the effective interest rate of 13.07% per annum. During the period ended 30 September 2015, the wholly-owned subsidiary of the Company disposed Sino United and therefore the PN II and PN III were derecognised of approximately HK\$40,345,000 and HK\$8,213,000 respectively.

The PN II and PN III are subsequently measured at amortised cost using effective interest method. An imputed interest expenses for PN II and PN III of approximately HK\$1,019,000 and HK\$208,000 were recognised in profit or loss for the period ended 30 September 2015 respectively (six months ended 30 September 2014: HK\$680,000 and HK\$114,000).

During the period ended 30 September 2014, the wholly-owned subsidiary partially settlement of the PN II of HK\$10,000,000 and incurred loss on early redemption of HK\$1,210,000.

- (iii) On 29 September 2014, the Company issued a one-year non-interest bearing promissory note in the principal amount of HK\$13,904,480 (“the PN IV”) as part of the consideration under the acquisition Wisdom Orchid Limited (“Wisdom Orchid”). The fair value of the PN IV at the date of issue was estimated to be HK\$11,930,000 based on the effective interest rate of 16.55% per annum.

The PN IV is subsequently measured at amortised cost using effective interest method. An imputed interest expenses of approximately HK\$652,000 was recognised in profit or loss for the period ended 30 September 2015 (six months ended 30 September 2014: HK\$11,000).

On 31 August 2015, the Company entered into the second supplemental agreement with the vendor and vendor guarantor of Wisdom Orchid to cancel the PN IV and replaced by a new promissory note (the “Second PN IV”) to be issued by the Company to the vendor on the same date. The principal amount of the Second PN IV is adjusted to HK\$10,946,830 (representing the outstanding principal amount of the PN IV as at 31 August 2015), and the maturity date will be extended to 27 March 2016. The fair value of the Second PN IV at the date of issue was estimated to be HK\$9,815,000 based on the effective interest rate of 20.14% per annum. The PN IV were derecognised of approximately HK\$10,827,000. As at 30 September 2015, the fair value of the Second PN IV was approximately HK\$9,970,000.

The Second PN IV is subsequently measured at amortised cost using effective interest method. An imputed interest expenses of approximately HK\$162,000 was recognised in profit or loss for the period ended 30 September 2015.

The fair value of the promissory notes at the date of issuance and at the reporting date are determined by the directors of the Company with reference to the valuation performed by APAC Asset Valuation and Consulting Limited, an independent firm of professional valuer using discounted cash flow approach.

18. SHARE CAPITAL

	As at 30 September 2015 (Unaudited)		As at 31 March 2015 (Audited)	
	Number of shares ‘000	Amounts HK\$’000	Number of shares ‘000	Amounts HK\$’000
Authorised:				
Ordinary shares of HK\$0.01 each	6,000,000	60,000	6,000,000	60,000
Issued and fully paid:				
At beginning of the period/year	3,865,130	38,651	3,251,562	32,515
Consideration shares (<i>Notes (i)</i>)	–	–	613,568	6,136
At end of the period/year	3,865,130	38,651	3,865,130	38,651

Notes:

On 18 August 2014, the Company through a wholly-owned subsidiary acquired 10.5% of the entire issued share capital of Sino United Energy Investment Co., Ltd (“Sino United”). The Company issued 500,000,000 consideration shares (the “Sino United Consideration Shares”) as part of consideration for the acquisition of Sino United. The fair value of the Sino United Consideration Shares, determined based on the closing market price of the Company on the acquisition date of HK\$0.35 per share, amounted to approximately HK\$175,000,000. The issue of the Sino United Consideration Shares has resulted in the increase in share capital and share premium account of the Company by HK\$5,000,000 and HK\$170,000,000 respectively.

On 29 September 2014, the Company acquired 40% of the entire issued share capital of Wisdom Orchid Limited (“Wisdom Orchid”). The Company issued 113,568,000 consideration shares (the “Wisdom Orchid Consideration Shares”) as part of consideration for the acquisition of Wisdom Orchid. The fair value of the Wisdom Orchid Consideration Shares, determined based on the closing market price of the Company on the acquisition date of HK\$0.305 per share, amounted to approximately HK\$34,638,000. The issue of the Wisdom Orchid Consideration Shares has resulted in the increase in share capital and share premium account of the Company by HK\$1,136,000 and HK\$33,502,000 respectively.

19. SHARE OPTIONS

Share-based payment transactions

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and/or rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any directors and employees of the Company, including all executive directors of the Company and its subsidiaries. The Scheme became effective on 8 October 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share option in excess of this limit is subject to shareholders’ approval in a general meeting.

The share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their subsidiaries, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted would be determined by the directors.

The exercise price of the share options would be determined by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options, which must be a business day; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer, provided that the subscription price shall not be lower than the nominal value of the shares.

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

Movement in share options during the period ended 30 September 2015 are as follows:

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Exercisable price per share HK\$	Number of share options			Outstanding at 30 September 2015
				Outstanding at 1 April 2015	Granted during period	Lapsed during period	
Directors							
Mr. Zhang Xiaobin	22 September 2015	Period 3	0.17	-	36,000,000	-	36,000,000
Mr. Gao Feng	11 February 2011	Period 1	0.36	13,000,000	-	-	13,000,000
	29 November 2012	Period 2	0.105	7,622,000	-	-	7,622,000
	22 September 2015	Period 3	0.17	-	16,000,000	-	16,000,000
				<u>20,622,000</u>	<u>16,000,000</u>	<u>-</u>	<u>36,622,000</u>
Mr. Chiu Sui Keung	11 February 2011	Period 1	0.36	13,000,000	-	-	13,000,000
	29 November 2012	Period 2	0.105	7,622,000	-	-	7,622,000
	22 September 2015	Period 3	0.17	-	16,000,000	-	16,000,000
				<u>20,622,000</u>	<u>16,000,000</u>	<u>-</u>	<u>36,622,000</u>
Ms. Geng Ying	11 February 2011	Period 1	0.36	13,000,000	-	-	13,000,000
	29 November 2012	Period 2	0.105	7,622,000	-	-	7,622,000
	22 September 2015	Period 3	0.17	-	16,000,000	-	16,000,000
				<u>20,622,000</u>	<u>16,000,000</u>	<u>-</u>	<u>36,622,000</u>
Mr. Shao Zili	22 September 2015	Period 3	0.17	-	36,000,000	-	36,000,000
Mr. Li Du	22 September 2015	Period 3	0.17	-	36,000,000	-	36,000,000
Mr. Cheng Wing Keung, Raymond	11 February 2011	Period 1	0.36	1,300,000	-	-	1,300,000
	29 November 2012	Period 2	0.105	762,000	-	-	762,000
	22 September 2015	Period 3	0.17	-	1,600,000	-	1,600,000
				<u>2,062,000</u>	<u>1,600,000</u>	<u>-</u>	<u>3,662,000</u>
Mr. Lam Williamson	11 February 2011	Period 1	0.36	1,300,000	-	-	1,300,000
	29 November 2012	Period 2	0.105	762,000	-	-	762,000
	22 September 2015	Period 3	0.17	-	1,600,000	-	1,600,000
				<u>2,062,000</u>	<u>1,600,000</u>	<u>-</u>	<u>3,662,000</u>
Mr. Wong Hoi Kuen	29 November 2012	Period 2	0.105	762,000	-	-	762,000
	22 September 2015	Period 3	0.17	-	1,600,000	-	1,600,000
				<u>762,000</u>	<u>1,600,000</u>	<u>-</u>	<u>2,362,000</u>
			Sub-total	<u>66,752,000</u>	<u>160,800,000</u>	<u>-</u>	<u>227,552,000</u>

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Exercisable price per share HK\$	Number of share options			Outstanding at 30 September 2015
				Outstanding at 1 April 2015	Granted during period	Lapsed during period	
Employees of the Group In aggregate	11 February 2011	Period 1	0.36	17,100,000	-	-	17,100,000
	29 November 2012	Period 2	0.105	41,882,000	-	-	41,882,000
	22 September 2015	Period 3	0.17	-	51,000,000	-	51,000,000
		Sub-total		58,982,000	51,000,000	-	109,982,000
Others In aggregate	22 September 2015	Period 3	0.17	-	37,600,000	-	37,600,000
		Total		125,734,000	249,400,000	-	375,134,000
Weighted average exercise price (in HK\$) (Note (c))				0.22	0.17	-	0.1881

Notes:

(a) Period 1 11 February 2011 to 10 February 2016

Period 2 29 November 2012 to 28 November 2017

Period 3 22 September 2015 to 21 September 2020

(b) The vesting date of the share options for Period 1 to 2 is the date of grant.

(c) The exercise prices of the outstanding share options as at 30 September 2015 range from HK\$0.105 to HK\$0.36 (30 September 2014: range from HK\$0.105 to HK\$0.36) per share and their weighted average remaining contractual life as at 30 September 2015 is 3.76 years (six months ended 30 September 2014: 2.33 years).

During the period ended 30 September 2015, the Company granted 249,400,000 share options to the directors and employees (30 September 2014: Nil) and the fair value of the share options granted is HK\$0.084 each (30 September 2014: HK\$Nil). The variables and assumptions used in computing the fair value of share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The fair value of the share options granted during the period ended 30 September 2015 was determined by an independent valuer, APAC Asset Valuation and Consulting Limited using the Binomial option pricing model (the "Model"). Details of the inputs to the Model are as follows:

22 September 2015

Grant date share price	HK\$0.168
Exercise price	HK\$0.17
Expected volatility	72%
Expected life of the options	5 years
Dividend yield	0%
Risk-free interest rate	0.97%

The Group recognised the total expenses of approximately HK\$20,950,000 (30 September 2014: Nil) during the period ended 30 September 2015 in relation to share options granted by the Company.

20. SHARE AWARD SCHEME

The Board has approved the adoption of the share award scheme ("Scheme") on 11 February 2011 ("Adoption Date"), pursuant to which existing shares will be purchased by the Bank of East Asia (Trustees) Limited ("Trustee") from the market at the cost of the Company and be held in trust for the relevant selected participants ("Selected Participants"). Selected Participants may cover any Director (including executive and non-executive Director), employee, officer, agent, advisor or consultant of the Company and of its subsidiaries.

The purpose of the Scheme are (i) to recognise the contributions by the Selected Participants and to give incentives thereto in order to retain them for the continuing operation and future development of the Group; and (ii) attract suitable personnel for further development of the Group.

If the Board selects a Director as the Selected Participant, the grant of the Awarded Shares to the Director may constitute a connected transaction of the Company. However, since the grant of awarded shares to Director forms part of the remuneration of the relevant Director under his/her service contract, such grant of awarded shares is exempted from all the reporting, announcement and independent Shareholder's approval requirement under Rules 14A.31(6) of the Listing Rules.

For the award of Shares to Selected Participants who are connected persons (excluding Directors), the Company will comply with the relevant provisions of the Listing Rules in relation to the reporting, announcement and independent Shareholders approval requirements. However, any grant to any Director or senior management of the Company must first be approved by the Remuneration Committee.

Subject to any early termination as may be determined by the Board pursuant to the rules relating to the Scheme, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date provided that no further contribution to the Trust shall be made by the Company on or after the 10th anniversary date of the Adoption Date.

On 9 March 2011, the Board approved and transferred HK\$5,000,000 to Trustee. As at 30 September 2015, 10,100,000 shares were purchased and held by the Trustee, representing approximately 0.26% of the issued share capital of the Company.

During the period ended 30 September 2015, no award shares have been released to Selected Participants.

21. COMMITMENTS

(a) Capital commitment

As at 30 September 2015, the Group had the following capital commitments:

	As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 March 2015 HK\$'000 (Audited)
Capital expenditure in respect of the construction in progress contracted for but not provided in the consolidated financial statements	–	691
Authorised and contracted for capital contributions payable to a subsidiary	<u>230,051</u>	<u>8,000</u>
	<u>230,051</u>	<u>8,691</u>

(b) Operating lease commitment

The Group leases certain properties under operating lease commitment. The leases run for an initial period of one to two years (31 March 2015: one to two years) with an option to renew the leases and renegotiate the terms at the expiry date. None of the leases includes contingent rentals.

As at 30 September 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 March 2015 HK\$'000 (Audited)
Within one year	<u>1,335</u>	<u>2,357</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company has been engaged as an investing and developing in unconventional gas business, coal trading business and provision of agency services and trading of commodities.

The Group has been managing the following businesses:

UNCONVENTIONAL GAS BUSINESS

A subsidiary of the Company signed a cooperation agreement with Heilongjiang Coalfield Geology Department (“HCGD”) to test the stimulation work of the imported equipment for the coalbed methane (“CMB”) stimulation work in the cities of Hegang. At the beginning of September 2015, the fracturing of wells progress has been completed and the testing of CMB stimulation is satisfied. The CMB pumping machinery is installed and move forward to the draining stage of the underground water to reduce the pressure of the wells. According to the time schedule, the underground water draining stage will be last for almost 3-4 months, the seperation and collection of CBM work will be started afterward. Due to the winter is coming, the management expects that the CBM stimulation work and driling for other areas will be started in April 2016. In October 2015, the Company signed the strategic cooperation agreement with HCGD in order to enlarge the exploration and development of the coalbed methane in Heilongjiang Province. The Company will fully provide the technical and management support for the CBM development in Heilongjiang Province.

COAL TRADING AND TRADING OF COMMODITIES BUSINESS

During the period, the management has successfully developed the business in commodities trading such as optical fibre cable and fuel oil in overseas and provision of agency services. The Company will continuously explore more international and world-wide trading business in agricultural products to broaden its income sources.

LATEST BUSINESS DEVELOPMENT IN THE ASSOCIATED COMPANIES

The Company indirectly owns 40% equity interests of Qinglong Manchu Autonomous County Shuangxin Mining Co., Ltd. (“Shuangxin”), an associated company which is engaged in the iron ore refining by way of magnetic separation process in Hebei Province, the PRC. Due to the tumble in market price of the iron powder in the PRC, Shuangxin was being forced to close the iron ore processing plant temporarily. The senior management of Shuangxin renegotiates with iron ore suppliers who preliminarily agreed to supply high quality iron ore to Shuangxin at a lower price. As such, the management expects, after the winter, the processing plant can be resumed in the early 2016. The management also expects the that iron powder market will be steadily improved in the future foreseeable.

The Company indirectly owns 30% issue share capital of Global Mining Engineer Inc. (“Global Mining”) which is principally engaged in provision of Radio Frequency Identification Mining Management System and Solutions (RFID@MMS) services and natural resources-related global sources direct services. On 29 May 2015, the Company’s subsidiary and GME Holdings Inc. (“GME Holdings”) entered into the MOU for proposing to acquire 51% or more of the issued share capital of GlobalTec Development Limited (“GlobalTec”) from GME Holdings. GME Holdings owns 70% of the Global Mining. GlobalTec is still in the process of reorganization. For further details, please refer to the Company’s announcement made on 29 May 2015.

FUTURE PROSPECTS

In the foreseeable future, the Company will continue its endeavors to explore suitable investment opportunities in the energy and resources sector with the aim to maximize shareholder value, and at the same time, develop its existing businesses with a particular focus on commodities trading and unconventional gas segments.

Recently in November 2015, the Company announced its potential strategic cooperation with Shandong Sunrise Group Co., Ltd. (“Shandong Sunrise”) in the international trading business of agricultural products. Shandong Sunrise is a reputable enterprise with strong background and resources, the cooperation shall offer a win-win solution between the parties as the Company will be able to leverage Shandong Sunrise’s experience and established networks to enter the international commodities trading business, and on the other hand, Shandong Sunrise will gain access to more diversified sources of funding in the Hong Kong capital market through its cooperation with the Company. The Company believes that the cooperation, if materialized, shall transform its present trading business into a globalized platform for trading of agricultural commodities.

After years of efforts to introduce advanced CBM stimulation technologies into the PRC as well as to build up relationship with local authorities and strategic partners, the Group’s unconventional gas segment is considering to undergo vertical integration so as to expand beyond its current role as a CBM stimulation services provider and develop into an integrated energy enterprise. In 2016, the Company intends to explore potential investment opportunities in upstream unconventional gas exploration located in the Hegang (鶴崗) and Jixi (雞西) cities of the Heilongjiang Province, and business opportunities in other cities of the PRC may also be considered.

In the future, the Board will continue identifying suitable investment opportunities in the resources and energy sector, in an attempt to maximize the shareholders’ return by inorganic growth strategies. Whilst the Company will keep developing its existing businesses, it will also allocate resources and focus on negotiating for new transactions.

RESULTS ANALYSIS

For the six months ended 30 September 2015, the Group recorded turnover of HK\$103,415,000 (six months ended 30 September 2014: HK\$91,064,000), representing an increase of 13.6%. The growth was contributed by the agency fee and trading of commodities segment. Increase of the turnover was mainly due to the Group diversified into services for other commodities trading such as optical fibre cable in overseas and provision of agency service.

For the six months ended 30 September 2015, the Group recorded a net loss of approximately HK\$44,827,000 (six months ended 30 September 2014: approximately HK\$875,000) and a loss attributable to owners of the Company of approximately HK\$44,423,000 (six months ended 30 September 2014: approximately HK\$1,483,000); basic loss per share was approximately HK\$1.23 cents (six months ended 30 September 2014: HK\$0.04 cents). Loss from operating activities was approximately HK\$40,109,000 (six months ended 30 September 2014: profit approximately HK\$2,305,000), representing a decrease of 17.4 times over last interim period. It was mainly attributable to (i) the substantial increase in the non-cash basis of the staff costs of share-based payment of approximately HK\$20,950,000 as result of the grant of 249,400,000 share options to the directors and employees of the Group during the period; (ii) loss on disposal of non-cash basis of the financial assets of approximately HK\$3,625,000 for the investment of 10.5% issued share capital of Sino United Energy Investment Co., Ltd incurred during the period; and (iii) gain on disposal of shares of approximately HK\$21,330,000 recorded in the corresponding period in 2014 which was an one-off item and therefore no such gain recognised for the six months ended 30 September 2015.

INTERIM DIVIDEND

The Board of the Company did not recommend payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$Nil).

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derived its working capital mainly from internal cash flow of operating activities and shares placement.

As at 30 September 2015, deficit on shareholders' funds of the Group aggregately amounted to approximately HK\$85,942,000 (31 March 2015: HK\$60,114,000). The Group's assets-liabilities ratio (total liabilities to total assets) was approximately 1.27 times (31 March 2015: 1.15 times). Net current liabilities of the Group amounted to approximately HK\$226,907,000 (31 March 2015: HK\$288,269,000). Current assets of the Group was approximately HK\$176,592,000 (31 March 2015: HK\$101,945,000), of which deposits with banks, cash and cash equivalents amounted to approximately HK\$15,111,000 (31 March 2015: HK\$12,302,000) and deposit of HK\$10,000,000 (31 March 2015: HK\$10,000,000) paid into the High Court of Hong Kong (the "High

Court”) for the Injunction Order against Mr. Hung, Mega Wealth Capital Limited (“Mega Wealth”) and Webright Limited (“Webright”). The following items with an aggregate of amount of HK\$350,538,000 (31 March 2015: HK\$350,098,000), which are included in current liabilities, are related to the legal proceedings with Mr. Hung in the High Court: (i) HK\$158,600,000 (31 March 2015: HK\$158,600,000) was consideration payable for the acquisition of Wealth Gain Global Investment Limited (“Wealth Gain”) and its subsidiary (the “Wealth Gain Group”); (ii) HK\$18,438,000 (31 March 2015: HK\$17,998,000) was shareholder’s loan plus interests from Mr. Hung; and (iii) convertible notes of HK\$173,500,000 (31 March 2015: HK\$173,500,000). The Board considers the liquidity of the Group is good enough as at 30 September 2015 and the Group would be net assets position of HK\$264,596,000 (31 March 2015: HK\$289,984,000) if removal of (i) to (iii).

As at 30 September 2015, the Group’s gearing ratio (calculated as total debts to total equity) was 250.9% (31 March 2015: 446.3%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group’s sales and purchase are mainly transacted in Hong Kong Dollar, US Dollar and Renminbi and the books are recorded in Hong Kong dollar. Therefore, it may be exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently has no foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure regularly and will consider hedging significant exchange rate exposure as and when necessary.

LITIGATIONS AND CONTINGENT LIABILITIES

The Group and the Company

(a) Claim made by the Company against Hung (the “Action”)

As disclosed in the Company’s announcements dated 16 December 2009 and 8 January 2010, the Company has commenced proceedings against Mr. Hung at the High Court with regards to a breach of contract by Mr. Hung, in connection with a sale and purchase agreement dated 25 September 2007 made between the Company and Mr. Hung (the “Agreement”). The Company sought advice from its legal advisers and formed the view that Mr. Hung had failed to perform one or more of the terms of the Agreement and is of the view that Mr. Hung is in breach of numerous representations and warranties under the Agreement. The Company claims against Mr. Hung, among other things, for all payments made by the Company to Mr. Hung under the Agreement and/or damages arising from the breach of the Agreement.

On 1 February 2010, the Company filed a statement of claim at the High Court against Mr. Hung, Mega Wealth and Webright (together referred to as the “Defendants”) in connection with the Agreement, for, inter alia, rescission of the Agreement. Particulars of the Statement of Claim are summarised as follows:

- (1) The Company claims against Mr. Hung for:
 - (i) rescission of the Agreement;
 - (ii) the 76,640,000 shares of the Company (“Shares”) at an issue price of HK\$0.5 per share;
 - (iii) the convertible note, issued to Mr. Hung pursuant to the Agreement, in the principal amount of HK\$173,500,000 convertible into ordinary shares of the Company at a conversion price of HK\$0.5 per share (the “Convertible Note”);
 - (iv) further or alternatively, all payments made by the Company to Mr. Hung and/or damages arising from the breach of the Agreement;
 - (v) a declaration that Mr. Hung holds the 70,000,000 Shares and the Convertible Note and their traceable equivalent on trust for the Company and that all necessary tracing orders accounts and inquiries be taken as to what had happened to the said Shares and Convertible Note and to ascertain the traceable equivalent thereof;
 - (vi) an order for payment after having the above accounts and inquiries;
 - (vii) payment of the legal costs incurred by the Company arising from the investigation and report arising from the matters in connection with the Agreement; and
 - (viii) payment of the costs incurred by the Company for the preparation and execution of the Agreement and supplemental agreements.
- (2) The Company also claims against Mega Wealth, inter alia, for the 100,000,000 Shares issued to Mr. Hung upon exercise of conversion rights of the Convertible Note and which were passed to Mega Wealth at an issue price of HK\$0.5 per Share.
- (3) The Company also claims against Webright, inter alia, for the 98,000,000 Shares issued to Mr. Hung upon exercise of conversion rights of the Convertible Note and which were passed to Webright at an issue price of HK\$0.5 per Share.

On 14 November 2011, the Company filed an amended Statement of Claim to the Court, the Defendants filed amended defence on 16 January 2012. Subsequently, the Company filed amended reply to Defendants' defence on 13 April 2012.

On 24 September 2013, Mr. Hung re-amend his defence and add a counter-claim against the Company for (i) payment of the unpaid cash consideration under the Agreement in the amount of HK\$158,600,000 plus interest and the outstanding balance of HK\$173,500,000 of the convertible note issued pursuant to the Agreement plus interest, both being part of the consideration under the Agreement; and (ii) repayment of certain loans and advances in the amount of HK\$12,600,000 made by Mr. Hung to the Company together with interest.

On 19 February 2014, Mr. Hung was declared bankrupt by the High Court upon the petition by Toeca National Resources B.V. ("Toeca") based on a judgment debt in the proceedings of HCA 1683/2009 of that Mr. Hung has ordered to pay HK\$116,820,000 with interest and cost. The property of Mr. Hung now vests with his joint and several trustees in bankruptcy ("Trustees"), Cosmo Borrelli and Michael Chan of Borrelli Walsh Limited, appointed on 30 April 2014.

On 24 April 2015, the Company entered into a settlement deed (the "Settlement Deed") with the Trustees, Mega Wealth and Webright Limited for the settlement of HCA 2477/2009. Details of the Settlement Deed were disclosed in the Company's announcement dated 27 April 2015 and circular dated 15 May 2015.

On 2 June 2015 an ordinary resolution for the approval of the Settlement Deed was passed in the extraordinary general meeting held by the Company.

The parties are currently performing the obligations and steps stipulated in the Settlement Deed and it is expected that it will take another 1 – 3 months for the proceedings HCA 2477/2009 to be dismissed if the condition precedent is fulfilled, including the court's sanction of the Settlement Deed Sought by the Trustees. An upcoming hearing for the Trustees' application has been fixed on 17 December 2015.

Up to the date of approval of these consolidated financial statements, some precedent conditions of the Settlement Deed has not been fulfilled. The Board of the Company will follow closely on the development of the above matters and inform the shareholders of the Company on a timely basis.

(b) Injunction Order Against Hung

On 22 January 2010, the High Court granted an ex parte the injunction order against the Defendants (the "Injunction Order"). The Injunction Order provides, among other things, that: unless with the approval of the High Court, Mr. Hung must not, either by himself, his servants or agents or otherwise howsoever in any way dispose of or deal with or diminish the value of any of the following assets:

- (i) the 76,640,000 Shares issued to Mr. Hung at an issue price of HK\$0.5 per Share;
- (ii) the Convertible Note issued by the Company to Mr. Hung;
- (iii) the 100,000,000 Shares issued to Mr. Hung upon exercise of conversion rights of the Convertible Note and which were passed to Mega Wealth at an issue price of HK\$0.5 per Share;
- (iv) the 98,000,000 of the Shares issued to Mr. Hung upon exercise of conversion rights of the Convertible Note and which were passed to Webright at an issue price of HK\$0.5 per Share;

All being part of the considerations given to Mr. Hung by the Company in respect of the Agreement.

On 29 January 2010, at the return date hearing in relation to the Injunction Order, it was ordered, inter alia, that the Injunction Order will continue subject to a fortification in the amount of HK\$10,000,000 being paid by the Company to the Registrar of the High Court on or before 12 February 2010, failing which the Injunction Order shall be discharged. The Company paid HK\$10,000,000 into the High Court on 10 February 2010 in compliance with the Injunction Order. Following a hearing held at the High Court on 18 March 2010, the High Court delivered its decision on 30 March 2010 to discharge and at the same time re-grant the Injunction Order obtained by the Company on 22 January 2010 against the Defendants. Furthermore, the Court made a cost order nisi that the Company should pay the Defendants' costs related to the discharge of the Injunction Order, which the Court has assessed to be four-fifths of the costs of the hearing. On 13 April 2010, the Defendants took out two summonses respectively for (i) an application for an order to vary the costs order nisi made in the said decision delivered on 30 March 2010, and (ii) an application for an order to have leave to appeal the said decision delivered on 30 March 2010, that the decision to re-grant the Injunction Order was wrong. On 14 May 2010, the Company and Mr. Hung, through their lawyers, entered into a consent summons whereby the hearing of the two summonses returnable on 26 May 2010 was adjourned without a further date of hearing, with liberty to restore.

On 3 September 2010, Mr. Hung through his solicitors applied by way of a Summons to vary the Injunction Order granted by the Honourable Mr. Justice Chung dated 30 March 2010 (the "Application") and the hearing was scheduled to be heard on 20 September 2010. The Court dismissed Mr. Hung's Application by way of summons, for an order to vary the Injunction Order made against the Defendants. The Court ordered costs of the summons be paid by the Defendants to the Company in any event.

On 22 September 2010, the Court of Appeal granted the Defendants leave to appeal to the Court of Appeal and heard the Defendants' appeal on 27 September 2010. The judgment was handed down on 6 October 2010. The Court of Appeal dismissed the appeal of the Defendants and the Injunction Order against the Defendants remained unchanged. The Court of Appeal also ordered the costs of the Appeal to be paid by the Defendants to the Company, to be taxed if noted agreed, save that the costs of preparing the Company's own "core bundles" be deducted.

Mr. Hung put the Company on notice on 6 October 2011 that he would take out an application by way of an inter parte summons, for variation of the Injunction Order again. The application was dismissed by the Court on 13 October 2011 with costs of the Company be paid by the Defendants.

On 24 April 2015, the Company entered into a Settlement Deed with Trustees of bankrupt, Mr. Hung, Mega Wealth and Webright. Details of the Settlement Deed was disclosed in the Company's announcement dated 27 April 2015 and Circular dated 15 May 2015.

(c) *Labour Action*

On 5 January 2011, Mr. Hung filed a statement of claim against the Company claiming a total sum of HK\$3,407,962.74 plus interest, being, inter alia, (i) arrears of wages (the "Wages Claim") in the amount of HK\$1,668,000 and (ii) reimbursement of expenses (the "Reimbursement Claim") in the amount of HK\$1,739,962.74, allegedly incurred by Mr. Hung whilst he was in the employment of the Company.

The Wages' Claim was in relation to the same subject matter as was previously resolved and settled between the parties by Mr. Hung accepting a total sum of HK\$890,000 from the Company, pursuant to the Order of the Labour Tribunal dated 25 May 2010.

The Company has been advised that re-litigating the Wages' Claim in the High Court, the subject matter of which has already been resolved and settled, constitutes an abuse of process of the Court. The Company filed a defence and counterclaim whereby the Company only agreed to pay a sum of HK\$74,221.20 out of Mr. Hung's claim, and counterclaimed against Mr. Hung for repayment of a sum of HK\$67,569 being, inter alia, unauthorised payments incurred by Mr. Hung on the Company's behalf and the value of the Company assets held by Mr. Hung. Mr. Hung has subsequently filed a reply and defence to counterclaim. On 28 June 2011, the Company and Mr. Hung filed a joint application for on order by consent that: (i) this action be stayed sine die with liberty to restore by either party; (ii) and costs reserved.

On 19 February 2014, Mr. Hung was declared bankrupt by the High Court upon the petition by Toeca. On 24 April 2015, the Company entered into the Settlement Deed with the Trustees, Maga Wealth and Webright Limited.

It was agreed in the Settlement Deed that, subject to the fulfillment of conditions and performance of steps stipulated in the Settlement Deed, the captioned proceedings should be discontinued by filing a Consent Summons to the Court for the dismissal of the action and the counterclaims after the precedent conditions of the Settlement Deed has been fulfilled.

(d) *Labour action between Mr. Hung Hoi Ming Raymond and the Company and Sino Talent Holdings Limited*

On 2 July 2010, Mr. Hung Hoi Ming Raymond (the “Claimant”), brought an action at the Labour Tribunal against the Company and Sino Talent Holdings Limited (“Sino Talent”), a wholly owned subsidiary of the Group for payment of a sum of approximately HK\$347,000, being the amount allegedly owed by the Group on termination of his employment contract dated 10 December 2009. The Group have filed with the Labour Tribunal a defence and counterclaim which the Group only agreed to pay a sum of approximately HK\$95,000 and counterclaimed against the Claimant for repayment of a sum of approximately HK\$128,000 being the amount of education subsidy received by the Claimant and a sum of an approximately HK\$46,000 being compensation for unauthorized absence from work and outstanding telephone bills. Pursuant to an Order by the Labour Tribunal dated 27 July 2010, the case was transferred to the District Court. At the directions hearing on 17 November 2010. The Court ordered that: (i) The Claimant do file and serve the Statement of Claim on or before 22 December 2010; (ii) The Sino Talent do file and serve the Defence and Counterclaim, if any, on or before 26 January 2011; (iii) The Claimant do file and serve the Reply and Defence to Counterclaim on or before 2 March 2011; and (iv) The costs of this directions hearing, assessed summarily in the sum of HK\$800 be costs in the cause. On 28 June 2011, the Company, Sino Talent and Claimant filed a joint application for an order by consent that: (i) this action be stayed sine die with liberty to restore by either party; and (ii) cost reserved. The Board of the Company, based on legal advices, is of the view that the Group have a good defence to the Claimant’s claim and a good chance of success in respect of the respective counterclaims.

No action has been taken by any party to activate the proceedings since 28 June 2011.

OTHER EVENTS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had a total of 34 employees (30 September 2014: 32) in Hong Kong and the PRC. All employees are remunerated according to their performance, experience and the prevailing industry practices.

The Group also participates in retirement benefit schemes for its staff in Hong Kong and the PRC. The Group introduced a new share option scheme on 8 October 2010, with options to be granted to employees at the discretion of the Board. During the period

ended 30 September 2015, 249,400,000 share options have been granted to the directors and employees of the Group. As at 30 September 2015, 375,134,000 share options are remained outstanding.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition and disposal for the six months ended 30 September 2015.

MATERIAL RELATED PARTY TRANSACTION

The Group did not have any material related party transaction for the six months ended 30 September 2015.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the six months ended 30 September 2015.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 23 October 2015, the Company entered into the subscription agreement with the subscriber pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for an aggregate of 30,000,000 subscription shares at the subscription price of HK\$0.169 per share. The net proceeds from the subscription is approximately HK\$5,054,000 which will be used by the Group as its general working capital and to finance any potential investment when opportunities arise in the future. The subscription for new shares has already been completed on 2 November 2015.

- (ii) On 4 November 2015, the Company and Shandong Sunrise Group Co., Ltd (“Shangdong Sunrise”) entered into the cooperation letter of intent (the “LOI”) whereby the Company and Shangdong Sunrise agreed to negotiate in good faith to enter into the formal agreement on the proposed cooperation. Shangdong Sunrise and its subsidiaries (“Shangdong Sunrise Group”) are principally engaged in the international trade business mainly includes the importation and processing of soybean, fuel oil and petrochemical products. The LOI is in line with the Group’s strategy in developing its trading business segment and would help the Group to seize such market opportunities and improve the commodities trading business which is to the long-term benefits of the Company and the shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2015.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive directors, chaired by Mr. Lam Williamson and the other two members of the Committee are Mr. Cheng Wing Keung, Raymond and Mr. Wong Hoi Kuen. The Audit Committee has reviewed and discussed with the Company's management the interim results of the Group for the six months ended 30 September 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all code provisions of the Code on Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's results announcement for the six months ended 30 September 2015 containing all information required by Appendix 16 of the Listing Rules is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's appointed website at <http://www.capitalfp.com.hk/eng/index.jsp?co=223>. The interim report of the Company for the six months ended 30 September 2015 will be despatched to the shareholders and published on the above websites in due course.

By Order of the Board
Sino Resources Group Limited
(carrying on business in Hong Kong as Sino Gp Limited)
Chow Chi Fai
Company Secretary

Hong Kong, 25 November 2015

As at the date of this announcement, the executive directors of the Company are Ms. Zhang Xiaobin, Mr. Gao Feng and Mr. Chiu Sui Keung, non-executive directors of the Company are Ms. Geng Ying, Mr. Shao Zili, Mr. Li Du, and the independent non-executive directors of the Company are Mr. Lam Williamson, Mr. Cheng Wing Keung Raymond, Mr. Wong Hoi Kuen, and Dr. Lam Lee G..

* *for identification only*