神州资源
Sino Resources

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors ("Board") of Sino Resources Group Limited (the "Company" or "Sino Resources") are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter referred to as the "Group") for the six months ended 30 September 2008 ("Review Period").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	5	**296,851**	5,540
Cost of sales		**(77,057)**	–
Gross profit		**219,794**	5,540
Other revenue	5	**2,007**	1,029
Other income	6	**6,145**	9,075
Advertising and promotion expenses		**(13,697)**	(10,695)
Agency commission		**(1,883)**	(7)
Amortisation and depreciation		**(8,610)**	(3,073)
Hotel and travel package expenses		**(5,191)**	(95)
Loss on disposal of property, plant and equipment		**–**	(526)
Operating lease rentals		**(6,567)**	(9,035)
Staff costs		**(33,437)**	(17,171)
Other operating expenses		**(50,483)**	(20,825)
Profit/(Loss) from operating activities	6	**108,078**	(45,783)
Finance costs		**(2,843)**	–
Profit/(Loss) before tax		**105,235**	(45,783)
Taxation	7	**(35,042)**	(111)
Profit/(Loss) for the period		**70,193**	(45,894)
Attributable to:			
– Equity holders of the Company		**70,193**	(45,894)
Dividends	8	**–**	–
Earnings/(Loss) per share attributable to equity holders of the Company	9		
– Basic		**HK9.4 cents**	HK(16.7) cents
– Diluted		**HK6.2 cents**	HK(16.7) cents

All of the Group's operating are classed as continuing.

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	As at 30 September 2008 HK$'000 (Unaudited)	As at 31 March 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**96,174**	75,291
Intangible assets		**609,038**	603,667
Goodwill		**341,062**	341,062
Available-for-sale financial assets		**–**	10,377
		1,046,274	1,030,397
Current assets			
Inventories		**18,756**	10,776
Deposits, prepayments and other receivables		**107,840**	42,928
Trade receivables	10	**32,800**	20,469
Cash and cash equivalents		**74,051**	67,839
		233,447	142,012
Less: Current liabilities			
Trade payables	11	**13,635**	3,859
Deferred revenue		**999**	2,187
Accrued liabilities and other payables		**389,928**	583,828
Deposits received in advance		**154,002**	79,096
Tax payable		**26,316**	20,430
		584,880	689,400
Net current liabilities		**(351,433)**	(547,388)
Total assets less current liabilities		**694,841**	483,009
Less: Non-current liabilities			
Deposits received in advance		**10,745**	6,307
Deferred income		**2,547**	2,681
Other long term liabilities		**67,206**	75,692
Convertible notes		**111,645**	196,518
Deferred tax liabilities		**12,710**	22,371
		204,853	303,569
Net assets		**489,988**	179,440
Equity			
Share capital		**8,908**	4,397
Reserves		**481,080**	175,043
Total equity attributable to equity holders of the Company		**489,988**	179,440

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2008

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on 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 30/F, One Kowloon, No.1 Wang Yuen Street, Kowloon Bay, Kowloon, Hong Kong.

During the Review Period, the Group was involved in the organisation of exhibitions and trade shows, providing ancillary services and sale of coal in the PRC.

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 Rules Governing the Listing of Securities ("Listing Rules") of 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 2008.

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 2008 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.

3. CHANGE IN ACCOUNTING POLICIES

(i) The Group adopted the following new and revised HKFRSs for the first time which are effective for the Group's financial year beginning 1 April 2008.

HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Deferred Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised standards and interpretations had no material impact on the accounting policies and the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

(ii) The Group has not early adopted the following new standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Int 13	Customer Loyalty Programmes[2]
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application. In the opinion of the directors, the above new/revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Business segments

The Group's turnover and operating profit or loss are attributable mainly from two business segments – (i) the organising of trade shows and exhibitions and providing ancillary services and (ii) production and sale of coal.

For management purposes, the Group currently organised into two operating divisions – (i) the organising of trade shows and exhibitions and providing ancillary services and (ii) production and sale of coal. The Group comprises two business segments as follows:

Income Statement

For the six months ended 30 September 2008

	Trade shows and exhibition operation *HK$'000*	Coal operation *HK$'000*	Other operation *HK$'000*	Consolidated *HK$'000*
Turnover				
Turnover from external customers	32,427	264,424	–	296,851
Result				
Segment result	(40,687)	152,305	(6,383)	105,235
Unallocated income				–
Profit before tax				105,235
Taxation				(35,042)
Profit for the period				70,193

Balance Sheet

As at 30 September 2008

	Trade shows and exhibition operation *HK$'000*	Coal operation *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	125,680	1,153,783	1,279,463
Unallocated corporate assets			258
			1,279,721
Liabilities			
Segment liabilities	176,558	329,940	506,498
Unallocated corporate liabilities			283,235
			789,733

Other Information

For the six months ended 30 September 2008

	Trade shows and exhibition operation	Coal operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital addition	50	24,489	24,539
Depreciation	1,150	3,608	4,758
Amortisation	1,154	2,698	3,852
	2,354	30,795	33,149

For the six months ended 30 September 2007, the Group's turnover and operating results are attributable solely to one business segment, the organising of trade shows and exhibitions and providing ancillary services and accordingly, no further analysis of the Group's turnover and operating results by principal activities is provided.

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The following table presents revenue and certain asset and expenditure information for the Group's geographical segments including Hong Kong, the People's Republic of China (the "PRC"), the United Kingdom ("UK") and Macau.

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment revenue:		
Turnover from shows and exhibitions and providing ancillary services:		
Hong Kong	**7,505**	5,011
UK	**468**	529
Macau	**24,454**	–
	32,427	5,540
Turnover from production and sale of coal:		
The PRC	**264,424**	–
Consolidated	**296,851**	5,540
Other segment information:		
Segment assets:		
Hong Kong	**469,134**	201,251
The PRC	**810,587**	6,494
Consolidated	**1,279,721**	207,745
Capital expenditure:		
Hong Kong	**1,237**	903
The PRC	**23,302**	138
Consolidated	**24,539**	1,041

5. TURNOVER AND REVENUE

Turnover represents the aggregate of sale of coal, participation fee income, hotel and travel package income, advertising fee income and portal income from exhibitions and trade shows. It is stated net of output value added tax of approximately HK$82,000 (for the six months ended 30 September 2007: HK$93,000) accrued at 17.5% (for the six months ended 30 September 2007: 17.5%) of the gross income generated from the exhibition and shows held in UK (for the six months ended 30 September 2007: UK).

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

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
Participation fee income	**25,094**	529
Hotel and travel package income	**3,575**	70
Advertising fee income	**3,758**	3,739
Portal income	**–**	1,202
Sale of coal	**264,424**	–
	296,851	5,540
Other revenue		
Interest income	**264**	752
Floor management fee income	**1,500**	–
Sundry income	**243**	277
	2,007	1,029
Total revenue	**298,858**	6,569

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Six months ended 30 September 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
The Group's profit/(loss) from operating activities is arrived at after charging:		
Amortisation of intangible assets	**3,852**	2,130
Amortisation of prepaid land premium	**–**	3
Depreciation of property, plant and equipment	**4,758**	940
Minimum lease payments under operating lease rentals of land and buildings	**6,567**	9,035
Staff costs (including directors' remuneration)		
– salaries and wages	**33,019**	16,703
– retirement benefits scheme contributions	**418**	468
Loss on disposal of property, plant and equipment	**–**	526
Loss on disposal of available-for-sale financial assets	**4,360**	–
And after crediting:		
Other income:		
Reversal of accruals	**6,145**	–
Gain on disposal of property, plant and equipment	**–**	6,899
Gain on disposal of available-for-sale financial assets	**–**	2,176
	6,145	9,075

7. **TAXATION**

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
Provided for the period	**–**	–
(Over)/under-provision in previous years	**(792)**	111
	(792)	111
Overseas income tax		
Provided for the period	**35,834**	–
	35,042	111

At 30 September 2008, the Group had no significant unrecognised deferred tax.

8. **DIVIDENDS**

The Board did not recommend payment of an interim dividend for the six months ended 30 September 2008 (for the six months ended 30 September 2007: Nil).

9. **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic and diluted earnings/(loss) per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to equity holders of the Company for the purpose of basic and diluted earnings/(loss) per share	**70,193**	(45,894)
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**745,271,557**	274,051,000
Effect of dilutive potential ordinary shares:		
Convertible notes	**392,000,000**	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**1,137,271,557**	274,051,000

For the six months ended 30 September 2007, the diluted loss per share was the same as the basic loss per share as the effect of the Company's outstanding share options are anti-dilutive.

10. TRADE RECEIVABLES

The credit period granted to customers ranges from 30 to 90 days. The aged analysis of the trade receivables is as follow:

	As at 30 September 2008 ***HK$'000*** **(Unaudited)**	As at 31 March 2008 *HK$'000* (Audited)
0 to 30 days	**24,015**	4,757
31 to 60 days	**4,887**	5,039
61 to 90 days	**306**	3,449
91 to 180 days	**35**	–
Over 180 days	**3,557**	7,224
	32,800	20,469

11. TRADE PAYABLES

The aged analysis of the trade payables is as follow:

	As at 30 September 2008 ***HK$'000*** **(Unaudited)**	As at 31 March 2008 *HK$'000* (Audited)
0 to 30 days	**2,709**	2,741
31 to 60 days	**2,240**	17
61 to 90 days	**2,228**	280
91 to 180 days	**2,305**	121
Over 180 days	**4,153**	700
	13,635	3,859

12. POST BALANCE SHEET EVENTS

The Group has the following material subsequent events after the balance sheet date:

(a) On 10 October 2008, the Convertible Notes holder had exercised his conversion rights by converting the Convertible Notes principal amount of HK$22,500,000 into 45,000,000 new shares.

(b) Wealth Gain Global Investment Limited ("Wealth Gain"), a subsidiary of the Company, as entered into an agreement with 大連信融企業管理有限公司 dated 28 November 2008, whereby render the management consulting services to Shuanyashan Northern Sheng Ping Mining Limited ("Sheng Ping Coal Mine") for the term of one year commencing from 1 December 2008 (subject to renewable) with a fixed sum of RMB10,000,000.

(c) Pursuant to the Sale and Purchase Agreement subscription of shares in Wealth Gain dated 25 September 2007 (as supplemented by Supplemental Agreements dated 26 October and 20 December 2007). On 24 December 2008, the Company and the Vendor (Mr. Hung Chen, Richael, an executive director of the Company) entered into a supplemental agreement to extend the time of payment of the balance of the Consideration Payment to 28 February 2009.

(d) Pursuant to the Mine Acquisition Agreement subscription of shares in Sheng Ping Coal Mine dated 30 October 2007 (as supplemented by Supplemental Agreements dated 31 December 2007 and 29 February 2008). On 31 October 2008, the Mine Seller (Heilongjiang Northern Enterprises Group Co. Ltd.) and Wealth Gain entered into the Mine Acquisition Extension Agreement to extend the time of payment of the Transfer Consideration to 16 April 2009 and that it may be paid in installments. The parties also agreed that the extension date may extend by a further three months from 16 April 2009. The Mine Acquisition Extension Agreement was approved by the relevant authorities in the PRC on 24 November 2008.

13. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim statements had been reviewed by the Audit Committee of the Company and were approved and authorised for issue by the Board on 29 December 2008.

INTERIM DIVIDEND

The board of directors did not recommend payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

INDUSTRY REVIEW

Coal Industry

The global financial markets turned volatile as the credit crisis arising from the US sub-prime mortgage issues deteriorated. Nevertheless, the PRC economy maintained a steady growth though the world's economy showed signs of a significant slowdown. The GDP of the PRC increased by 9.9% during the first nine months in 2008 as compared with the same period last year. As the general coal-consuming industries, i.e. thermal power, steel and iron, construction materials and chemicals industries remained stable, unceasing domestic market demand for coals kept domestic coal price at a higher level, resulting in a favorable operational environment for coal enterprises. Besides, as the international oil price continued to achieve record highs time and again, international coal price edged up, underpinning the domestic coal price.

Exhibition Industry

Under the global economic downturns and reduced spending, the orders from the global markets including the US and Europe have been sharply decreased. More new exhibition venues entered into services and entries of small scale organizers intensified the competition in the exhibition industry. The operating costs of the manufacturers in the PRC have been increased as a result of the continuous appreciation of Renminbi, increasing costs of raw materials and adoption of new rules. The intention of the exhibitors to participate in exhibition has been reduced accordingly and the attendance of buyers has also shown a downward trend. The exhibition industry is now facing significant challenges.

BUSINESS REVIEW

Coal Business

Coal business has become the Group's major focus in business development. During the Review Period, turnover from coal operations amounted to HK$ 264,424,000, representing approximately 89.08% of the total turnover. Income from coal operations of the Group was mainly contributed by the sales of coal products, including raw coal, middlings coal and clean coal.

Seeing the robust demand of coal, the Group made great efforts in expanding the output of coal products for higher sales volume. On the other hand, the Group raised its profitability by actively optimizing its product mix and enlarging the sales proportion of high-margin Clean Coal. Equally to the point, the Company adopted a stringent control over the production cost in view of the hiking raw material price and labour cost.

Coal Chemical Business

In view of the enormous growth potential in the coal chemical business, the Group has been watching closely on relevant investment opportunities. On 6 June 2008, the Company entered into a memorandum of understanding with the Government of Jixian County, Shuangyashan City, Heilongjiang Province, the PRC and Baron Capital Limited in relation to the proposed investment in the construction of a coal-based urea production facility at Jixian County. The planned production capacity of the facility is 1.6 million tons of coal-based urea per annum and the total investment amount for the proposed investment is estimated to be RMB7.8 billion. The expected construction period of the production facility is 30 months. Coal-based urea is widely used in agriculture, medicine and manufacturing. It is a component of fertilizer and animal feed, a raw material for the manufacturing of plastics and glues, and an ingredient in many tooth whitening products and dish soap. The project has already obtained approval from the Development and Reform Commission of Heilongjiang Province and its environmental protection assessment is in application for approval.

Exhibition Business

During the Review Period, the Group's turnover from exhibition and exhibition-related business was approximately HK$32,427,000, representing approximately 10.92% of the total turnover. In terms of exhibition business, during the Review Period, the Group held a trade exhibition in Macau, 2nd edition of Mega Macao, which attracted 946 exhibitors from 13 countries and regions. However, due to the economic downturns, the Group has decided to postpone the 3rd edition of Mega Macao to next year temporarily.

Exhibition-related Business

As for exhibition-related business, the Group published the bi-annual trade magazine "MegAsia" and provided travel agency services as add-ons to the exhibition business.

Due to the continuous losses recorded in recent years, the Group has stepped up its efforts to restructure exhibition business and introduced different strategies including strict cost measures to enhance profitability; however, the results are still below expectation.

PROSPECT

As the global economy is increasingly shrouded in uncertainty, the decline in external demand will adversely affect the exports of the PRC, whose economic growth may thereby be at risk of a slowdown. On the other hand, various factors such as the recent global oil price crash, the drop in demand for raw materials as well as the excessive increase in coal prices for the previous period will further exert downward pressure on the domestic coal price within a short length of time. In spite of this, the PRC Government has proactively implemented various economic stimulus packages recently, aiming at stimulating domestic demand so as to maintain a steadfast economic momentum. The Group remains prudently positive towards the business landscape in the future.

Among the expenditure listed in the RMB4 trillion economic stimulus package stipulated by the National Development and Reform Commission, approximately RMB1.8 trillion will be earmarked for infrastructural projects such as railways, highways, airports and power grids, which underscored that infrastructural projects weigh on the minds of the Central Government in boosting domestic demand. In the announcement of the long-term adjustment of railway plans in the Mainland, the Ministry of Railways also estimated that investment in construction in 2008 will surpass RMB300 billion, while investment in fixed assets of railways will reach RMB700 billion next year. The Group believes that the campaign will significantly increase the demand for domestic steels, which in turn favor the Group's coal business.

Looking forward to the second half, the Group will maintain its effort in expanding the coal business so as to lay a solid foundation for its business transformation. In order to strengthen the competencies of the Group in the coal industry, the Group will keep close atop with market dynamics, gradually enhance the output of coal products and optimize its product portfolio. Besides, the Group will quicken the pace of its coal chemical projects with a view to leveraging its expertise in the coal industry so as to stretch its business foothold to related industries full of development potential.

On the other hand, the Group will proactively step further to fulfill its social responsibilities whilst attaining economic benefits. Compliance with the national policies of reducing emission and conformity to the safety and environmental protection standards help facilitate the sustainable development of the enterprise on a sound footing.

For the exhibition business, though additional efforts and resources are delivered, the Group remains conservative in view of the challenges and uncertainties ahead. Intense competition and price pressures within the industry suggested there might be a need for the Group to streamline or re-engineer its exhibition business. The Group will be watching closely on the development of the exhibition industry and economic situations so as to put forward appropriate strategies against coming challenges.

CORPORATE GOVERNANCE

Sino Resources firmly believes that having exemplary corporate governance is fundamental to ensuring business excellence and long-term growth of a corporation. Therefore, the Group diligently adheres to the Code on Corporate Governance Practices ("CG Code"), set out in Appendix 14 of the Listing Rules of the Stock Exchange, and other measures therein recommended, with the exceptions as listed in the Section "Compliance with Corporate Governance Code" in the latter part of this announcement. In addition to abiding by rules and regulations, the Group also believes that the values held by a company and its leaders are critical to ensuring the company's creditability and overall performance. Sino Resources values the governance, counsel and guidance of its directors. All executive directors are responsible for the day-to-day management of the Group's operations and regular meetings are held with senior management to formulate and communicate the Group's overall strategy and corporate policies. Furthermore, the Board remains vigilant of conditions that may affect the Group's financial situation and business performance, and shareholders' interests. The Group is committed to enhancing overall transparency of its operations for public scrutiny. A Remuneration Committee and Nomination Committee were formed to review remuneration of directors and nomination of replacement for any directors resigned or retired. To ensure the Group's financial and accounting policies are strictly followed, the Audit Committee meets regularly to review the completeness, accuracy and fairness of the Group's financial statements. We also take the nature and scope of external auditors' reviews into account in guiding corporate finance implementations.

HUMAN RESOURCES

As at 30 September 2008, the Group had a total of 2,993 employees 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. It introduced a share option scheme on 10 April 2002, with options to be granted to employees at the discretion of the Board.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations by internally generated cash flows. As at 30 September 2008, it had bank balances and fixed deposits of approximately HK$74,000,000. (30 September 2007: approximately HK$55,000,000)

As at 30 September 2008, the Group has no investment in listed securities (30 September 2007: approximately HK$33,000,000).

As at 30 September 2008, the Group has convertible notes amounted to approximately HK$196,000,000 (30 September 2007: Nil). The Group's current ratio was 39.90% (30 September 2007: approximately 80%) and gearing ratio (total debts to total equity) was Nil (30 September 2007: Nil). Both the Group and the Company had no significant contingent liabilities as at 30 September 2008. The Group's cash balances are mainly denominated in Hong Kong, Renminbi and U.S. dollars, with minimal exposure to foreign exchange fluctuation.

CONCLUSION

On behalf of the Board, I would like to express my thanks to the management and operational staff for their contribution and dedication for the Company in the first half of the year. Leveraging the Group's brilliant and veteran management team as well as a clear business direction, I believe that the coal business will ignite long-term business growth for the Group and deliver record results in the future.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

For the six months ended 30 September 2008, the directors are not aware of any business or interest of the directors, the management, shareholders and their respective associates that compete or may compete with the business of the Group.

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 2008.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company adopted a code of conduct regarding directors' securities transactions based on the terms as set out in the Model Code in Appendix 10 of the Listing Rules on the terms no less exacting than the required standard set out in the Model Code throughout the six months ended 30 September 2008. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2008.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance through the establishment and adoption of good practices and procedures which are in the best interests of the Company and its shareholders. The principles of corporate governance adopted by the Company enhance board practices, internal controls, transparency and accountability to the Company's shareholders. The Board will review the corporate governance practices and procedures from time to time and shall make necessary arrangements when the Board considers appropriate.

The Company applied the principles and complied with all code provisions of the CG Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the six months ended 30 September 2008, with the exception of deviations from the Code provisions A.4.1 and A.4.2.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at the annual general meetings of the Company in accordance with the articles of association of the Company.

Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Chairman, Ip Ki Cheung and the Managing Director, Cheung Shui Kwai, are not subject to retirement by rotation. This constitutes a deviation from code provision of A.4.2 of the CG code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of the Chairman and the Managing Director provide the Company with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

THE BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises a total of ten directors, including seven executive directors and three independent non-executive directors. One of the independent non-executive directors has the relevant accounting and related financial management expertise as required by the Listing Rules.

During the Review Period, Mr. Ma Li Shan, Mr. Javed Iqbal Khan and Mr. Fong Wang were re-elected as executive directors during the annual general meeting of the Company held on 29 August 2008 ("the "AGM"). Mr. Chan Siu Chung, an executive director was retired by rotation and being re-elected during the AGM. The Honourable John Reynolds, an independent non-executive director and members of the Audit and Nomination Committee and Mr. Cheng Kong Kei, an independent non-executive director and members of the Audit and Remuneration Committee were re-elected during the AGM.

On 11 November 2008, Mr. Lu Xin was appointed by the Board as an independent non-executive director and members of the Audit Committee and Nomination Committee to replace The Honourable John Reynolds, has resigned as the independent non-executive director on 11 November 2008.

Save for the above, the composition of the Board Committees remains the same as set out in the corporate governance report included in the annual report for the year 2008 of the Company.

The Board, as led by the Chairman, is collectively responsible for the set up of the Group's overall strategies, operating and financial policies, approval of annual budgets and business plans, evaluation of the performance of the Company's business, and oversight of the management team.

BOARD PRACTICES

Regular Board meetings are scheduled in advance to give all directors an opportunity to attend in person. Each of the directors has full access to information of the Company and has access to the advice and services of the Company Secretary in respect of compliance with board procedures and all applicable rules and regulations. Each of the directors may also take independent professional advice at the Company's expense, if necessary, in accordance with the approved procedures. The minutes of the Board are prepared by the Company Secretary with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the Board or dissenting views expressed.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following Board Committees to oversee particular aspects of the Company's affairs. A majority of the members of each of these Committees is independent non-executive directors. Each of the Audit, Remuneration and Nomination Committee is governed by its respective terms of reference.

AUDIT COMMITTEE

The Audit Committee, which comprises the three independent non-executive directors, is chaired by Mr. Cheng Hong Kei and the other two members of the Committee are Mr. Cheng Wing Keung, Raymond and Mr. Lu Xin. On 7 June 2008, Mr. Cheng Hong Kei and The Honourable John Reynolds were appointed as the Chairman and a member of the Committee to replace Mr. Chan Wing Yau, George and Mr. Law Sung Ching, Gavin respectively; both have resigned on 7 June 2008. On 11 November 2008, Mr. Lu Xin was appointed as a member of the Committee to replace The Honourable John Reynolds has resigned on 11 November 2008.

The terms of reference of the Audit Committee, which is based on "A Guide for the Formation of an Audit Committee" and updated by "A Guide for Effective Audit Committees" as issued by the HKICPA (previously known as the Hong Kong Society of Accountants) in December 1997 and in February 2002 respectively. It sets out the powers and duties of the Audit Committee, which includes those as set out in code provisions C.3.3(a) to (n) of the CG Code, and is reviewed by the Board from time to time.

The Audit Committee meets regularly with the management and the external auditors of the Company and reviews matters relating to audit, accounting and financial statements as well as internal control, risk evaluation and general compliance of the Group, and reports directly to the Board. It reviews the external auditors about their independence and objectivity and holds meeting with, the external auditors, HLB Hodgson Impey Cheng to discuss the nature and scope of audit and reporting obligations and also makes recommendations to the Board on the selection, appointment, resignation or dismissal of the external auditors.

The major work performed by the Audit Committee during the Review Period including the review of the condensed consolidated interim financial statements and review of the Company's financial controls, risk management and internal control systems.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises two independent non-executive directors and one executive director, is chaired by Mr. Cheng Hong Kei and the other two members of the Committee are Mr. Cheng Wing Keung, Raymond and Mr. Chan Siu Chung. On 7 June 2008, Mr. Cheng Hong Kei and Mr. Cheng Wing Keung were appointed as the Chairman and a member of the Committee to replace Mr. Chan Wing Yau, George and Mr. Law Sung Ching, Gavin repectively; both have resigned on 7 June 2008.

Its major responsibilities include the review of the Company's policy and structure for all remuneration of directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration, and the review and approval of performance-based remuneration by reference to corporate goals and objectives.

During the Review Period, the Remuneration Committee has reviewed the remuneration of the executive directors and independent non-executive directors.

NOMINATION COMMITTEE

The Nomination Committee, which comprises two independent non-executive directors and one executive director, is chaired by Mr. Cheng Wing Keung, Raymond and the other two members of the Committee are Mr. Ip Ki Cheung and Mr. Lu Xin. On 7 June 2008, Mr. Cheng Wing Keung and The Honourable John Reynolds were appointed as the Chairman and a member of the Committee to replace Mr. Chan Wing Yau, George and Mr. Law Sung Ching, Gavin repectively; both have resigned on 7 June 2008. On 11 November 2008, Mr. Lu Xin was appointed as a member of the Committee to replace The Honourable John Reynolds has resigned on 11 November 2008.

Its major responsibilities include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board and the identification of individuals suitably qualified to become Board members.

During the Review Period, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of the independent non-executive directors.

PUBLICATIONS OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's appointed website at www.capitalfp.com.hk/eng/index.jsp?co=223. The Company's Interim Report 2008 will be despatched to the shareholders and available on the above websites in due course.

As at the date of this announcement, the executive Directors are Mr. Ip Ki Cheung, Mr. Cheung Shui Kwai, Mr. Chan Siu Chung, Mr. Hung Chen, Richael, Mr. Ma Li Shan, Mr. Javed Iqbal Khan and Mr. Fong Wang; and the independent non-executive Directors are Mr. Cheng Wing Keung, Raymond, Mr. Lu Xin and Mr. Cheng Hong Kei.

On Behalf of the Board
Ip Ki Cheung
Chairman

Hong Kong, 29 December 2008

* *For identification purposes only*