# 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 2013

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 2013 together with the comparative figures of the corresponding period for 2012 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2013*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | *Notes* | **2013** *HK$'000* **(Unaudited)** | 2012 *HK$'000* (Unaudited) |
| **Continuing operations** | | | |
| Turnover | 5 | **40,928** | 306 |
| Cost of sales | | **(40,839)** | (215) |
| Gross profit | | **89** | 91 |
| Other revenue | 5 | **313** | 1,388 |
| Other operating expenses | | **(11,571)** | (17,228) |
| Fair value loss on derivative financial liabilities | | **(1,806)** | – |
| Loss on disposal of property, plant and equipment | | **(372)** | – |
| **Loss from operating activities** | | **(13,347)** | (15,749) |
| Finance costs | 6 | **(2,333)** | (1,291) |
| **Loss before tax** | | **(15,680)** | (17,040) |
| Taxation | 7 | **261** | – |
| **Loss for the period from continuing operations** | | **(15,419)** | (17,040) |

| | Notes | Six months ended 30 September 2013 HK$'000 (Unaudited) | 2012 HK$'000 (Unaudited) |
|---|---|---|---|
| **Discontinued operation** | | | |
| (Loss)/profit for the period from a discontinued operation | 8 | **(5)** | 3,670 |
| **Loss for the period** | | **(15,424)** | (13,370) |
| **Other comprehensive loss, net of tax** | | | |
| Exchange differences on translation foreign operations | | **379** | (43) |
| **Total comprehensive loss for the period, net of tax** | | **(15,045)** | (13,413) |
| **Loss attribute to:** | | | |
| **Owners of the Company** | | **(14,312)** | (14,763) |
| **Non-controlling interests** | | **(1,112)** | 1,393 |
| | | **(15,424)** | (13,370) |
| **Total comprehensive loss attributable to:** | | | |
| **Owners of the Company** | | **(14,114)** | (14,929) |
| **Non-controlling interests** | | **(931)** | 1,516 |
| | | **(15,045)** | (13,413) |
| **Loss per share attributable to owners of the Company for continuing and discontinued operations** | | | |
| – Basic | 10 | **(0.62) cents** | (0.88) cents |
| – Diluted | 10 | **(0.62) cents** | (0.88) cents |
| **Loss per share attributable to owners of the Company for continuing operations** | | | |
| – Basic | 10 | **(0.62) cents** | (1.10) cents |
| – Diluted | 10 | **(0.62) cents** | (1.10) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2013*

| | Notes | As at 30 September 2013 HK$'000 (Unaudited) | As at 31 March 2013 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **27,024** | 27,793 |
| Goodwill | | **70,135** | 70,135 |
| Derivative financial assets | | **33,184** | 33,184 |
| Available-for-sale financial assets | | **1** | 1 |
| | | **130,344** | 131,113 |
| **Current assets** | | | |
| Trade receivables | 11 | **9,851** | 21,381 |
| Deposits, prepayments and other receivables | 12 | **60,722** | 58,034 |
| Amount due from a shareholder | | **387** | – |
| Deposits with banks | 13 | **10,897** | 10,891 |
| Cash and cash equivalents | | **15,303** | 11,018 |
| | | **97,160** | 101,324 |
| Assets classified as discontinued operation | 8 | **–** | 5 |
| **Total current assets** | | **97,160** | 101,329 |
| **Less: Current liabilities** | | | |
| Trade payables | 14 | **8,757** | 20,022 |
| Accrued liabilities and other payables | 15 | **196,766** | 206,191 |
| Amounts due to shareholders | 16 | **16,678** | 23,215 |
| Derivative financial liabilities | | **–** | 1,703 |
| Borrowings | 17 | **14,937** | 17,282 |
| Obligations under finance leases | 18 | **3,630** | 5,235 |
| Convertible notes | 19 | **173,500** | 173,500 |
| | | **414,268** | 447,148 |
| Liabilities directly associated with assets classified as discontinued operation | 8 | **5,353** | 5,353 |
| **Total current liabilities** | | **419,621** | 452,501 |

| | Notes | As at 30 September 2013 HK$'000 (Unaudited) | As at 31 March 2013 HK$'000 (Audited) |
|---|---|---|---|
| **Net current liabilities** | | **(322,461)** | (351,172) |
| **Total assets less current liabilities** | | **(192,117)** | (220,059) |
| **Less: Non-current liabilities** | | | |
| Obligations under finance leases | 18 | **–** | 723 |
| Convertible notes | 19 | **–** | 8,093 |
| Deferred tax liabilities | | **–** | 261 |
| | | **–** | 9,077 |
| **Net liabilities** | | **(192,117)** | (229,136) |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 20 | **26,066** | 20,623 |
| Reserves | | **(215,102)** | (247,609) |
| | | **(189,036)** | (226,986) |
| **Non-controlling interests** | | **(3,081)** | (2,150) |
| **Total equity** | | **(192,117)** | (229,136) |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2013*

### 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 focus its business on the resources and energy sector.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules"). 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 2013.

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 2013 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 have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$322,461,000 (31 March 2013: HK$351,172,000). The following items with an aggregate of amount of HK$348,778,000 (31 March 2013: HK$348,338,000), which are included in current liabilities, are related to the legal proceedings with Mr. Hung Chen Richael ("Mr. Hung") in the High Court of Hong Kong (the "High Court"): (i) HK$158,600,000 (31 March 2013: 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$16,678,000 (31 March 2013: HK$16,238,000) was shareholder's loan plus interests from Mr. Hung; and (iii) convertible notes of HK$173,500,000 (31 March 2013: HK$173,500,000). The Board of the Company considers the liquidity of the Group is good enough as at 30 September 2013.

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 2013, included in the annual report of the Group for the year ended 31 March 2013.

### (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 2013.

| | |
|---|---|
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associate and Joint Ventures |
| HKFRS 1 (Amendments) | Government Loans |
| HKFRS 7 (Amendments) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosures of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) | Consolidated Financial Statements, Joint Arrangements, Disclosures of Interests in Other Entities: Transition of Guidance |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009-2011 Cycle |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

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

| | |
|---|---|
| HKAS 32 (Amendments) | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1] |
| HKAS 36 (Amendments) | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| HKAS 39 (Amendments) | Novation of Derivatives and Continuation of Hedging Accounting[1] |
| HKFRS 9 and HKFRS 7 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 10, HKFRS 12 and HKAS 27 (Amendments) | Investment Entities[1] |
| HK(IFRIC) – Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 January 2015

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 trade shows and exhibition operation. 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 |
| Trade shows and exhibition operation | Sales agent to introduce potential exhibitors for exhibitions (the operation was discontinued during the year ended 31 March 2013) |

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

**For the six months ended 30 September 2013 (Unaudited)**

| | **Continuing operations** | | |
|---|---|---|---|
| | **Unconventional gas business** | **Coal trading business** | **Consolidated** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Turnover** | | | |
| Turnover from external customers | **–** | **40,928** | **40,928** |
| **Result** | | | |
| Segment loss | **(1,762)** | **(332)** | **(2,094)** |
| Unallocated income | | | **291** |
| Unallocated corporate expenses | | | **(9,738)** |
| Fair value loss on derivative financial liabilities | | | **(1,806)** |
| Finance costs | | | **(2,333)** |
| Loss before tax | | | **(15,680)** |
| Taxation | | | **261** |
| Loss for the period | | | **(15,419)** |

For the six months ended 30 September 2012 (Unaudited)

| | Continuing operations | | |
|---|---|---|---|
| | Unconventional gas business | Coal trading business | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Turnover** | | | |
| Turnover from external customers | – | 306 | 306 |
| **Result** | | | |
| Segment loss | (2,620) | (716) | (3,336) |
| Unallocated income | | | 1,383 |
| Unallocated corporate expenses | | | (13,796) |
| Finance costs | | | (1,291) |
| Loss before tax | | | (17,040) |
| Taxation | | | – |
| Loss for the period | | | (17,040) |

Turnover reported above represents revenue generated from external customers. There was no inter-segment sales in the period (six months ended 30 September 2012: HK$Nil).

Segment results represent the loss generated by each segment without allocation of corporate expenses, 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 2013 (Unaudited)**

| | **Continuing operations** | | **Discontinued operation** | |
|---|---|---|---|---|
| | **Unconventional gas business** | **Coal trading business** | **Trade shows and exhibition operation** | **Consolidated** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Assets** | | | | |
| Segment assets | **32,326** | **166,040** | **–** | **198,366** |
| Unallocated corporate assets | | | | **29,138** |
| | | | | **227,504** |
| **Liabilities** | | | | |
| Segment liabilities | **4,698** | **56,927** | **5,353** | **66,978** |
| Unallocated corporate liabilities | | | | **352,643** |
| | | | | **419,621** |

As at 31 March 2013 (Audited)

| | Continuing operations | | Discontinued operation | |
|---|---|---|---|---|
| | Unconventional gas business | Coal trading business | Trade shows and exhibition operation | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | |
| Segment assets | 31,006 | 177,175 | 5 | 208,186 |
| Unallocated corporate assets | | | | 24,256 |
| | | | | 232,442 |
| **Liabilities** | | | | |
| Segment liabilities | 6,320 | 67,238 | 5,353 | 78,911 |
| Unallocated corporate liabilities | | | | 382,667 |
| | | | | 461,578 |

**Segment assets and liabilities**

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

- all assets are allocated to reportable segments other than corporate assets. 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, derivative financial liabilities, borrowings, obligation under financial leases, convertible notes and deferred tax liabilities.

**Other segment information**

| | Six months ended 30 September | | | |
|---|---|---|---|---|
| | **Depreciation and amortisation** | | **Additions to non-current assets** | |
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| **Continuing operations:** | | | | |
| Unconventional gas business | **135** | 39 | **614** | 9 |
| Coal trading business | **12** | 8 | **16** | 5 |
| Unallocated | **133** | 223 | **18** | 12 |
| | **280** | 270 | **648** | 26 |

**Geographical information**

The Group's operations are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The PRC | **40,928** | 306 |

The following is an analysis of the carrying amount of non-current assets (excluding derivate financial assets 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 2013** | As at 31 March 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Hong Kong | **1,216** | 2,789 |
| The PRC | **95,943** | 95,139 |
| | **97,159** | 97,928 |

## 5. TURNOVER AND OTHER REVENUE

Turnover represents the coal sales and coal quality inspection handling fee.

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

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Turnover** | | |
| Coal sales | **40,928** | – |
| Coal quality inspection handling fee | **–** | 306 |
| | **40,928** | 306 |
| **Other revenue** | | |
| Interest income | **29** | 54 |
| Sundry income | **284** | 1,334 |
| | **313** | 1,388 |
| **Total revenue** | **41,241** | 1,694 |

## 6. FINANCE COSTS

| | Six months ended 30 September 2013 HK$'000 (Unaudited) | 2012 HK$'000 (Unaudited) |
|---|---|---|
| Interests on amounts due to shareholders wholly repayable within five years | **552** | 556 |
| Interests on obligations under finance leases wholly repayable within five years | **414** | 16 |
| Interest expense on borrowings wholly repayable within five years | **207** | 48 |
| Interest expense on convertible notes | **1,157** | 429 |
| Other finance costs | **3** | 242 |
| | **2,333** | 1,291 |

## 7. TAXATION

| | Six months ended 30 September 2013 HK$'000 (Unaudited) | 2012 HK$'000 (Unaudited) |
|---|---|---|
| Current tax | | |
| – Hong Kong Profits Tax | **–** | – |
| – PRC Enterprises Income Tax | **–** | – |
| | **–** | – |
| Deferred tax | **(261)** | – |
| Tax credit for the period | **(261)** | – |
| Tax credit from continuing operations for the period | **(261)** | – |
| Tax credit from a discontinued operation for the period | **–** | – |
| Tax credit for the period | **(261)** | – |

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2012: 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. DISCONTINUED OPERATION

During the year ended 31 March 2013, the Group decided to discontinue its trade shows and exhibition operation and focus its resources on unconventional gas business and coal and metals trading business. Hence, trade shows and exhibition operation was classified as discontinued operation.

The results of the trade shows and exhibition operation for the period are presented below:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Turnover | **–** | 1,334 |
| Other revenue | **–** | 5 |
| Other income | **–** | 2,695 |
| Other operating expenses | **(5)** | (364) |
| (Loss)/profit from operating activities | **(5)** | 3,670 |
| Finance costs | **–** | – |
| (Loss)/profit before tax | **(5)** | 3,670 |
| Taxation | **–** | – |
| (Loss)/profit for the period | **(5)** | 3,670 |

The major classes of assets and liabilities of the trade shows and exhibition operation classified as discontinued operation as at 30 September 2013 are as follows:

| | **As at 30 September 2013** | As at 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Assets** | | |
| Cash and cash equivalents | **–** | 5 |
| Assets classified as discontinued operation | **–** | 5 |
| **Liabilities** | | |
| Accrued liabilities and other payables | **5,353** | 5,353 |
| Liabilities directly associated with assets classified as discontinued operation | **5,353** | 5,353 |
| Net liabilities directly associated with the discontinued operation | **(5,353)** | (5,348) |

The cash flows incurred by trade shows and exhibition operation are as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Net cash outflows from operating activities | **(5)** | (297) |
| Net cash outflows | **(5)** | (297) |

(Loss)/earnings per share from discontinued operation:

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK cents*** | *HK cents* |
| | **(Unaudited)** | (Unaudited) |
| – Basic | **–** | 0.22 |
| – Diluted | **–** | 0.22 |

The (loss)/earnings per share attributable to owners of the Company from the discontinued operation is based on the loss for the period of approximately HK$5,000 (six months ended 30 September 2012: profit of HK$3,670,000) and the weighted average number of ordinary shares in issue during the period of 2,318,778,953 (six months ended 30 September 2012: 1,678,031,389).

Diluted (loss)/earnings per share was the same as the basis (loss)/earnings per share. The Company's outstanding warrants, convertible notes and share options were not included in the calculation of diluted earnings per share because the effect of the Company's outstanding warrants, convertible notes and share options were anti-dilutive.

## 9. DIVIDENDS

The Board of the Company do not recommend a payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK$Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period of 2,318,778,953 (six months ended 30 September 2012: 1,678,031,389).

Diluted loss per share for the periods ended 30 September 2013 and 2012 were the same as the basic loss per share. The Company's outstanding warrants, convertible notes and share options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding warrants, convertible notes and share options were anti-dilutive.

| | **Six months ended 30 September** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The (loss)/profit for the period attributable to the owners of the company are as follows: | | |
| – from continuing operations | **(14,307)** | (18,433) |
| – from discontinued operation | **(5)** | 3,670 |
| Loss for the period from continuing and discontinued operations | **(14,312)** | (14,763) |

## 11. 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 2013** | As at 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 30 days | **–** | – |
| 31 to 60 days | **–** | 11,376 |
| 61 to 90 days | **–** | 322 |
| 91 to 180 days | **–** | 104 |
| Over 180 days | **9,851** | 9,579 |
| | **9,851** | 21,381 |

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | **As at 30 September 2013** *HK$'000* **(Unaudited)** | As at 31 March 2013 *HK$'000* (Audited) |
|---|---|---|
| Deposits | **3,430** | 3,698 |
| Prepayments | **7,212** | 6,561 |
| Other receivables | **50,080** | 47,775 |
| | **60,722** | 58,034 |

As at 30 September 2013, included in other receivables of HK$10,000,000 (31 March 2013: 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").

## 13. DEPOSITS WITH BANKS

As at 30 September 2013, the fixed interest rate on deposits with banks of approximately HK$10,897,000 (31 March 2013: approximately HK$10,891,000), with maturity over one month but less than one year is 0.15% per annum (31 March 2013: 0.1% per annum) and deposited into a designated interest-bearing bank account opened into the name of the Company as security for the litigations. The deposits with banks were denominated in HK$.

## 14. TRADE PAYABLES

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

| | **As at 30 September 2013** *HK$'000* **(Unaudited)** | As at 31 March 2013 *HK$'000* (Audited) |
|---|---|---|
| 0 to 30 days | **–** | – |
| 31 to 60 days | **–** | 11,102 |
| 61 to 90 days | **–** | 312 |
| 91 to 180 days | **–** | – |
| Over 180 days | **8,757** | 8,608 |
| | **8,757** | 20,022 |

## 15. ACCRUED LIABILITIES AND OTHER PAYABLES

| | As at 30 September 2013 HK$'000 (Unaudited) | As at 31 March 2013 HK$'000 (Audited) |
|---|---|---|
| Accrued liabilities *(Note (i))* | **173,481** | 174,207 |
| Other payables | **23,285** | 31,984 |
| | **196,766** | 206,191 |

*Notes:*

(i) Included in accrued liabilities of HK$158,600,000 (31 March 2013: 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.

## 16. AMOUNTS DUE TO SHAREHOLDERS

| | As at 30 September 2013 HK$'000 (Unaudited) | As at 31 March 2013 HK$'000 (Audited) |
|---|---|---|
| Amount due to Mr. Hung *(Note (i))* | **16,678** | 16,238 |
| Amount due to ACE Channel Limited *(Note (ii))* | **–** | 6,977 |
| | **16,678** | 23,215 |

*Notes:*

(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.

On 9 November 2010, the Company deposit the sum of HK$10,658,922 into a designated interest-bearing account as security for the claimed made by Mr. Hung on item (i)(2) and (3). Details refer to litigation and contingent liability (c) and (d) respectively.

(ii) On 15 August 2011, 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 14 August 2012. On 12 September 2012, the agreement has been extended for one year and due on 14 August 2013. The shareholder's loan was fully repaid during the period ended 30 September 2013.

## 17. BORROWINGS

| | **As at 30 September 2013** *HK$'000* **(Unaudited)** | As at 31 March 2013 *HK$'000* (Audited) |
|---|---|---|
| **Current liabilities** | | |
| – Bank borrowings – secured *(Note (i))* | **14,937** | 14,682 |
| – Other borrowings – unsecured *(Note (ii))* | **–** | 2,600 |
| **Total borrowings** | **14,937** | 17,282 |

*Notes:*

(i) Bank borrowings of HK$14,937,000 (31 March 2013: HK$14,682,000) are repayable within one year, bear fixed interest rate at 9.6% per annum (31 March 2013: 9.6% per annum) and secured by the properties owned by a non-controlling shareholder of one subsidiary.

(ii) As at 31 March 2013, the unsecured other borrowings bear interest at 2.5% per month. The loan has already been repaid on 21 June 2013.

## 18. OBLIGATIONS UNDER FINANCE LEASES

As at 30 September 2013, the total future minimum lease payments under finance leases and their present value were as follows:

| | **As at 30 September 2013** *HK$'000* **(Unaudited)** | As at 31 March 2013 *HK$'000* (Audited) |
|---|---|---|
| Total minimum lease payments | | |
| – Due within one year | **3,902** | 5,873 |
| – Due in the second year | **–** | 767 |
| | **3,902** | 6,640 |
| Less: future finance charges on finance leases | **(272)** | (682) |
| Present value of finance lease liabilities | **3,630** | 5,958 |
| Present value of finance lease liabilities | | |
| – Due within one year | **3,630** | 5,235 |
| – Due in the second year | **–** | 723 |
| | **3,630** | 5,958 |
| Less: Current portion due within one year included under current liabilities | **(3,630)** | (5,235) |
| Non-current portion included under non-current liabilities | **–** | 723 |

## 19. CONVERTIBLE NOTES

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

| | Convertible Notes 2008 *HK$'000* Current *(Note (i))* | Convertible Notes 2012 *HK$'000* Non-current *(Note (ii))* | **Total** ***HK$'000*** |
|---|---|---|---|
| **Liability component** | | | |
| Net carrying amounts at 1 April 2012 (Audited) | 157,014 | – | **157,014** |
| Fair value of convertible notes issued | – | 11,417 | **11,417** |
| Imputed interest expense charged | 16,486 | 2,171 | **18,657** |
| Interest expense payable | – | (1,184) | **(1,184)** |
| Redemption of convertible notes | – | (4,311) | **(4,311)** |
| Net carrying amounts at 31 March 2013 and at 1 April 2013 (Audited) | 173,500 | 8,093 | **181,593** |
| Imputed interest expense charged | – | 903 | **903** |
| Interest expense payable | – | (460) | **(460)** |
| Derecognition of convertible notes | – | (8,536) | **(8,536)** |
| Fair value of convertible notes issued | – | 8,415 | **8,415** |
| Conversion of convertible notes | – | (8,415) | **(8,415)** |
| **Net carrying amounts at 30 September 2013 (Unaudited)** | **173,500** | **–** | **173,500** |

*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).

(ii) On 6 July 2012, the Company issued Convertible Notes 2012 at a principal amount of HK$15,000,000 for cash to Growing Around Holdings Limited ("GAHL"), an independent third party. The Convertible Notes 2012 bear an interest of 12% per annum payable in cash semi-annually.

The terms of the Convertible Notes 2012 are as follows:

a. convertible at the option of the note holders into fully paid ordinary shares on up to second anniversary of the issue date at a conversion price of HK$0.2 per share;

b. where the average closing price of the shares of the Company as quoted on the daily quotation sheet of the Stock Exchange for the 180 Days' ACP falls below the conversion price, the conversion price shall adjusted to an amount equal to the higher of (i) the 180 Days' ACP or (ii) the then par value of the shares with effect from 4:30p.m. on the day falling the 180th day after the date of issue of the Convertible Notes 2012;

c. redeemable at the option of the note holder at 100% of the principal amount at any time and from time to time, by written to notice to redeem the whole of the convertible notes; and

d. unless previously converted or purchased or redeemed, any outstanding convertible notes shall be redeemed on the maturity date at the redemption amount which is 100% of the principal amount of the convertible notes by the Company.

Since the 180 Days' ACP fell below the conversion price of HK$0.20, the principal amount of HK$5,325,000 (the "Adjustment") was early redeemed during the year ended 31 March 2013.

On 18 July 2013, GAHL transferred the Convertible Notes 2012 and all rights in respect thereof to Mr. Lin Long (the "Subscriber") pursuant to the captioned terms and conditions therein. GAHL did not convert any part of the Convertible Note 2012 prior to the said transfer. As at 10 July 2013, the interest payable amounts to HK$2,007,360 (the "Payable Interest") have not been settled by the Company. As such, the Adjustment and the Payable Interest prior to the transfer was HK$7,332,360.

On 25 July 2013, the Company and the Subscriber entered into the 2nd supplemental agreement (the "2nd Supplemental Agreement") in respect of proposed amendments to the terms and conditions of the Convertible Notes 2012. Pursuant to the 2nd Supplemental Agreement, the Convertible Notes 2012 has been amended as follow:

a. the Convertible Notes 2012 shall bear an interest at 6% per annum;

b. the Company shall settle the Adjustment and the Payable Interest by way of issue and allotment of 56,840,000 ordinary shares at HK$0.129 per share (the "Replacement Shares") to the Subscriber in lieu of payment in cash; and

c. the conversion price be adjusted to HK$0.129.

Following the issue and allotment of the Replacement Shares, the principal amount of Convertible Notes 2012 is reduced by the amount of the Adjustment from HK$15,000,000 to HK$9,675,000. The note holder is entitled to exercise 75,000,000 ordinary shares at HK$0.129 per share (the "New Conversion Shares").

An extraordinary meeting held on 16 August 2013, it has been approved the changes of terms and condition as well as the allotment and issue of the Replacement Shares and New Conversion Shares. The listing approval was obtained on 19 August 2013. The Subscriber of the Convertible Notes 2012 tendered to the Company a conversion notice to exercise all the conversion rights attaching to the Convertible Notes 2012. The Company has issued and allotted 56,840,000 Replacement Shares and 75,000,000 New Conversion Shares to the Subscriber on 23 August 2013.

The Convertible Notes 2012 exhibits characteristics of an embedded derivatives and is separated from the liability component. On initial recognition, the embedded derivative component of the Convertible Notes 2012 was measured at fair value and presented as derivative financial liabilities. Any excess of proceeds over the amount initially recognised as the embedded derivatives component is recognised as liability component. At each reporting date, the embedded derivative component is remeasured and the change in fair value of that component is recgonised in the consolidated statement of comprehensive income.

Upon changes of terms and conditions of Convertible Notes 2012 pursuant to the 2nd Supplemental Agreement (i.e. 19 August 2013), the original terms and conditions of Convertible Notes 2012 and the respective derivative financial liabilities were derecognised. The new fair value of Convertible Notes 2012 and derivative financial liabilities were immediately recognised in accordance with the revised terms.

For further details, please refer to the circular dated 1 August 2013.

## 20. SHARE CAPITAL

| | **As at 30 September 2013 (Unaudited)** | | As at 31 March 2013 (Audited) | |
|---|---|---|---|---|
| | **Number of shares** | **Amounts** | Number of shares | Amounts |
| | ***‘000*** | ***HK$’000*** | *‘000* | *HK$’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 | **2,062,353** | **20,623** | 1,636,520 | 16,365 |
| Placing of shares (Notes (i)) | **412,470** | **4,125** | 174,000 | 1,740 |
| Consideration shares (Notes (ii)) | **–** | **–** | 251,833 | 2,518 |
| Replacement shares (Notes (iii)) | **56,840** | **568** | – | – |
| Conversion of convertible notes (Note (iii)) | **75,000** | **750** | – | – |
| At end of the period/year | **2,606,663** | **26,066** | 2,062,353 | 20,623 |

*Notes:*

(i) On 25 October 2012, the Company through a placing agent, placed 174,000,000 shares of par value HK$0.01 each at the placing price of HK$0.115 for a total consideration, before expenses, of HK$20,010,000. The proceed was used for general working capital of the Group.

On 28 September 2011, the Company, through a placing agent, placed 30,000,000 shares of par value HK$0.01 each at a placing price of HK$0.36 for a total consideration, before expenses, of HK$10,800,000. Part of the proceeds of approximately RMB4,400,000 (equivalent to HK$5,500,000) is used for initial capital injection to Derong and the remaining proceeds will be utilised by the Group as its general working capital.

On 21 June 2013, the Company, through a placing agent, placed 412,470,000 shares of par value HK$0.01 each at a placing price of HK$0.08 for a total consideration, before expenses, of HK$32,998,000. The proceeds is utilised by the Group as its general working capital and to finance the future/acquisition when investment opportunities arise.

(ii) On 31 August 2012, the Company completed the subscription of 70.97% equity interest of Zhan Sheng Group. The Company issued 251,833,333 consideration shares (the "Zhan Sheng Consideration Shares") as part of the consideration for the acquisition of Zhan Sheng. The fair value of the Zhan Sheng Consideration Shares, determined based on the closing market price of the Company on the acquisition date of HK$0.199 per share, amounted to approximately HK$50,115,000. The issue of the Zhan Sheng Consideration Shares has resulted in the increase in share capital and share premium account of the Company by HK$2,518,000 and HK$47,597,000 respectively.

(iii) On 23 August 2013, the note holder converted all the conversion rights attaching to the Convertible Notes 2012, The Company issued and allotted 56,840,000 Replacement Shares and 75,000,000 New Conversion Shares at the conversion price of HK$0.129 per share. As a result of the conversion, share capital and share premium increased by HK$568,000 and HK$6,764,000 for Replacement Shares and HK$750,000 and HK$11,326,000 for New Conversion Shares respectively.

## 21. 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 2013 are as follows:

| Category of Participants | Date of grant *(Note (b))* | Exercisable period *(Note (a))* | Exercisable price per share *HK$* | Number of share options: Outstanding at 1 April 2013 (Audited) | Granted during period | Lapsed during period | Outstanding at 30 September 2013 (Unaudited) |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Ms. Geng Ying | 11 February 2011 | Period 1 | 0.36 | 13,000,000 | – | – | **13,000,000** |
| | 29 November 2012 | Period 2 | 0.105 | 7,622,000 | – | – | **7,622,000** |
| | | | | 20,622,000 | – | – | **20,622,000** |
| Mr. Gao Feng | 11 February 2011 | Period 1 | 0.36 | 13,000,000 | – | – | **13,000,000** |
| | 29 November 2012 | Period 2 | 0.105 | 7,622,000 | – | – | **7,622,000** |
| | | | | 20,622,000 | – | – | **20,622,000** |
| Mr. Chiu Sui Keung | 11 February 2011 | Period 1 | 0.36 | 13,000,000 | – | – | **13,000,000** |
| | 29 November 2012 | Period 2 | 0.105 | 7,622,000 | – | – | **7,622,000** |
| | | | | 20,622,000 | – | – | **20,622,000** |
| Mr. Cheng Wing Keung, | 11 February 2011 | Period 1 | 0.36 | 1,300,000 | – | – | **1,300,000** |
| Raymond | 29 November 2012 | Period 2 | 0.105 | 762,000 | – | – | **762,000** |
| | | | | 2,062,000 | – | – | **2,062,000** |
| Mr. Lam Williamson | 11 February 2011 | Period 1 | 0.36 | 1,300,000 | – | – | **1,300,000** |
| | 29 November 2012 | Period 2 | 0.105 | 762,000 | – | – | **762,000** |
| | | | | 2,062,000 | – | – | **2,062,000** |
| Mr. Wong Hoi Kuen | 29 November 2012 | Period 2 | 0.105 | 762,000 | – | – | **762,000** |
| | | | Sub-total | 66,752,000 | – | – | **66,752,000** |
| **Employees of the Group** | | | | | | | |
| In aggregate | 11 February 2011 | Period 1 | 0.36 | 17,100,000 | – | – | **17,100,000** |
| | 29 November 2012 | Period 2 | 0.105 | 43,944,000 | – | – | **43,944,000** |
| | | | Sub-total | 61,044,000 | – | – | **61,044,000** |
| | | | Total | 127,796,000 | – | – | **127,796,000** |
| Weighted average exercise price (in HK$) *(Note (c))* | | | | 0.222 | – | – | **0.222** |

*Notes:*

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

Period 2 29 November 2012 to 28 November 2017

(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 2013 range from HK$0.105 to HK$0.36 (30 September 2012: HK$0.36) per share and their weighted average remaining contractual life as at 30 September 2013 is 3.34 years (30 September 2012: 3.37 years).

During the year ended 31 March 2013, the Company granted 71,158,000 share options to the directors and employees (2012: Nil) and the fair value of the share options granted is HK$0.0434 each (2012: HK$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 year ended 31 March 2013 was determined by an independent valuer using the Binomial option pricing model (the "Model"). Details of the inputs to the Model are as follows:

| | **29 November 2012** |
|---|---|
| Grant date share price | HK$0.103 |
| Exercise price | HK$0.105 |
| Expected volatility | 50% |
| Expected life of the options | 4.7 years |
| Dividend yield | 0% |
| Risk-free interest rate | 0.25% |

The Group recognised the total expenses of approximately HK$3,088,000 (2012: HK$Nil) during the year ended 31 March 2013 in relation to share options granted by the Company.

## 22. 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 2013, 10,100,000 shares were purchased and held by the Trustee, representing approximately 0.39% of the issued share capital of the Company.

During the period ended 30 September 2013, no award shares have been released to Selected Participants.

## 23. COMMITMENTS

### (a) Capital commitment

As at 30 September 2013, the Group had the following capital commitments:

| | **As at 30 September 2013** *HK$'000* **(Unaudited)** | As at 31 March 2013 *HK$'000* (Audited) |
|---|---|---|
| Authorised and contracted for | **28,785** | 29,825 |

**(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 2013: 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 2013, 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 2013** | As at 31 March 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **1,300** | 2,598 |

## 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 focus its business on the resources and energy sector.

### UNCONVENTIONAL GAS BUSINESS

During the period, The Heilongjiang Development and Reform Commission ("HDRC") has already approved the project for the cooperation between Multi Century Energy Technology (Beijing) Limited ("MCT (BJ)") and Coalfield Geology Reconnaissance Design and Research Institute of Heilongjiang Province ("HCI") to set up a project to demonstrate the technology of the two sets of imported equipment ("Equipment") for the CBM stimulation work in the cities of Hegang (鶴崗), Jixi (雞西) and Yilan (依蘭) (the "Project"). The Project allow MCT (BJ) to get tax exemption on import duties, however, the import VAT only can be used to set off the output VAT on sales in future. The Equipment will be shipped from Tianjin Ports to Heilongjiang for inspection and testing in December 2013.

### COAL TRADING BUSINESS

During the six months ended 30 September 2013, the coal inventory of power plants, cement plants and ports in China has maintained relatively high level. The price of coal in China dropped slightly and demand for coal remained weak. Thus management continued to take a more cautious and conservative approach towards sales orders of coal trading.

During the period, the Heilongjiang Derong Coal Industrial Co., Ltd ("Derong"), an indirect non-wholly owned subsidiary of the Company received two civil claims against Derong. The trading business for Derong has been affected and the profit guarantee will be unlikely to be achieved for the coming year ending 31 December 2013. The Company is in the course of negotiation with the vendor in respect of the treatment of the profit guarantee and consideration shares in escrow. The company will make further announcement as and when appropriate.

During the period, the coal trading business is mainly come from Hubei Tiegang Trading Company Limited ("Hubei Tiegang"), an indirect non-wholly owned subsidiary of the Company.

### FUTURE PROSPECT

In view of the gloomy coal trading industry in the PRC, the Company will continue taking a conservative approach in its coal trading transactions. For the unconventional gas business, the Company is the course of completing the equipment installation and testing in order to commence full operation.

During the period under review, the Company completed a share placing and settled outstanding convertible notes of HK$15,000,000 principal amount which has successfully broadened the shareholders' base and improved the debt-to-equity ratio of the Company.

On 27 June 2013, the Company has announced the proposed acquisition of hydropower business located in Qinghai Province of the PRC. The Company has been in active negotiation for the proposed acquisition. Recently, the Company has conducted a site visit together with professional parties to perform pre-deal assessment of the deal structure and continued its discussion and negotiation with the vendors over the terms of the proposed acquisition. The Company has achieved progress in the negotiation and in the forthcoming months, the Board will continue the discussion with the vendors and use its best endeavours to commence formal due diligence work. As at the date of this announcement, no formal or legally binding agreement has been entered into among the Company and the vendors in respect of the possible acquisition.

On 4 October 2013, the Company completed the acquisition of 30% of equity interest in Global Mining Engineer Inc., which is engaged in the business of providing Radio Frequency Identification Mining Management System and Solutions ("RFID@MMS") services, and natural resources-related global sources direct services. The application of RFID@MMS in mines management shall improve production safety, asset management and the entire monitoring system in daily mine operations. The acquisition is expected to further strengthen the Company's position in the resources and energy sector.

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 2013, the Group recorded turnover of HK$40,928,000 from continuing operations (six months ended 30 September 2012: HK$306,000). The turnover was contributed by the coal trading segment. Increase of the turnover was mainly due to the acquisition of Zhan Sheng Group and the revenue contributed to the Group.

For the six months ended 30 September 2013, the Group recorded a net loss of approximately HK$15,424,000 (six months ended 30 September 2012: approximately HK$13,370,000) and a loss attributable to owners of the Company of approximately HK$14,312,000 (six months ended 30 September 2012: approximately HK$14,763,000); basic losses per share for continuing operations was approximately HK$0.62 cents (six months ended 30 September 2012: HK$1.10 cents). Loss from operating activities from continuing operations was approximately HK$13,347,000 (six months ended 30 September 2012: approximately HK$15,749,000), representing a decrease of 15% over last interim period. It was attributable to significant decrease in legal and professional fees after some court cases were settled.

## INTERIM DIVIDEND

The Board of the Company did not recommend payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK$Nil).

## FINANCIAL REVIEW

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derived its working capital mainly from internal cash flow of operating activities, shares placement and shareholder's loan. On 21 June 2013, the Company placed of 412,470,000 shares at the placing price of HK$0.08 and the net proceeds of approximately HK$32,655,000 has been received.

As at 30 September 2013, deficit on shareholders' funds of the Group aggregately amounted to approximately HK$192,117,000 (31 March 2013: HK$229,136,000). The Group's assets-liabilities ratio (total liabilities to total assets) was approximately 1.84 times (31 March 2013: 1.99 times). Net current liabilities of the Group amounted to approximately HK$322,461,000 (31 March 2013: HK$351,172,000). Current assets of the Group was approximately HK$97,160,000 (31 March 2013: HK$101,329,000), of which deposits with banks, cash and cash equivalents amounted to approximately HK$26,200,000 (31 March 2013: HK$21,914,000) and deposit of HK$10,000,000 (31 March 2013: HK$10,000,000) paid into the High Court for the Injunction Order against Mr. Hung, Mega Wealth and Webright. The following items with an aggregate of amount of HK$348,778,000 (31 March 2013: HK$348,338,000), 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 2013: HK$158,600,000) was consideration payable for the acquisition of Wealth Gain Group; (ii) HK$16,678,000 (31 March 2013: HK$16,238,000) was shareholder's loan plus interests from Mr. Hung; and (iii) convertible notes of HK$173,500,000 (31 March 2013: HK$173,500,000). The Board considers the liquidity of the Group is good enough as at 30 September 2013 and the Group would be turned to net assets position of HK$156,661,000 (31 March 2013: HK$119,202,000) if removal of (i) to (iii).

As at 30 September 2013, the Group's gearing ratio (calculated as total debts to total equity) was 108.7% (31 March 2013: 99.5%).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's sales and purchase are mainly transacted in Hong Kong 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. The pleading stage of the proceedings is now closed. Now, the Company is preparing the lists of documents to be exchanged with Defendants, after which the parties would have to exchange witness statements.

On 21 August 2013, the Company received a summons from Mr. Hung, seeking leave from the High Court to re-amend Mr. Hung's defence and to add a counter-claim against the Company in the Action. The counter-claim of Mr. Hung to be added is 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.

The Company maintains the view that Mr. Hung was in breach of the Agreement and is claiming Mr. Hung for, among other reliefs, rescission of the Agreement and/or damages for loss suffered. Accordingly, the Company is of the view that Mr. Hung's counter-claim for consideration under the Agreement is without ground. As to the loans and advances claimed, HK$3,000,000 originated from the cash consideration paid under the Agreement and for the same reason mentioned the Company is of the view that Mr. Hung's claim is without ground. As to the remaining HK$9,600,000 claimed, the Company is of the view that its claim in the Action shall extinguish Mr. Hung's counter-claim and has already provided sufficient security for such amount in the proceedings of the winding-up petition presented by Mr. Hung against the Company. The winding-up petition proceedings are now adjourned pending the determination of the parties' dispute in the Action. The Company is currently seeking legal advice on the matter and will be defending Mr. Hung's counter-claim.

Up to the date of approval of these financial statements, no judgment has been made by the High Court. The Board of the Company, based on legal advices, the Company has a good arguable case against the Defendants to have the Agreement rescinded. 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*

On 22 January 2010, the High Court granted an ex parte Injunction Order against the Defendants. 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 ex parte Order granted by the Honourable Mr. Justice Yam on 22 January 2010, which was discharged and re-granted by the Honourable Mr. Justice Chung on 30 March 2010 (the "Order") Pursuant to the summons, Mr. Hung together with Mega Wealth and Webright are seeking for an order that:–

(1) the Order be varied by:

 (i) that the Mr. Hung be permitted to exercise the right to convert a portion of the Convertible Note in the principal amount of HK$123,204,095 into 246,408,190 ordinary shares of the Company at a conversion price of HK$0.5 per share and that the Mr. Hung be registered forthwith as the shareholder of such converted and allotted 246,408,190 shares;

 (ii) amending Paragraph 1(a) in the following manner:

 "The 323,048,190 of the Company's shares issued to the Mr. Hung at issue price of HK$0.5 per share;"

(iii) amending Paragraph 1(b) in the following manner:

"The non-interest bearing convertible redeemable note issued by the Company to the Mr. Hung ("Convertible Note") in the principal amount of HK$50,295,905 convertible into ordinary shares of the Company at a conversion price of HK$0.5 per share;"

(iv) adding Paragraph 6:

"save and except what is permitted under Paragraph 7;"

(v) adding to Paragraph 7:

"save and except exercising voting rights of the Shares, either by himself or by the Mr. Hung via proxy or any other agent, at the extraordinary general meeting of the Company which was fixed to be held at Room 2502, 25/F, 9 Queen's Road Central, Central, Hong Kong on Friday, 14 October 2011 at 2.30 p.m. pursuant to the Company's circular dated 28 September 2011 or at such other adjourned dates and places for that extraordinary general meeting;"

(vi) alternatively, any Order that the Honourable Court deems fit.

(2) the time for service of this summons be abridged; and

(3) costs of and occasioned by this application be to provide for.

The Court on 13 October 2011 made the following Order that:

1. the Summons be dismissed; and

2. the costs of the Summons be paid to the Company by Mr. Hung, Mega Wealth and Webright with two certificates to counsels.

The court case is still ongoing and the Company will make further announcements as and when appropriate.

*(c) Winding-up Petition*

Mr. Hung served the statutory demands on the Company in respect of a total outstanding Alleged Indebtedness of HK$41,722,630 (the "Statutory Demands"). A winding-up petition (the "Winding-up Petition") was presented to the High Court and served on the Company by Mr. Hung on 28 January 2010 in connection with the Alleged Indebtedness. The Company intends to oppose the Winding-up Petition and has appointed legal advisers to handle the matter. The first hearing of the Winding-up Petition was held on 7 April 2010. At the second hearing held in the High Court on 12 April 2010, upon hearing submissions by the parties, the Companies Judge made an order that, among other things, the Winding-up Petition be adjourned to the second Monday after the date of handing down of judgment in connection with the Statement of Claim by which the Company has made a claim against Mr. Hung. On 24 August 2010, the Court made an order by consent of both parties to grant leave to the Petitioner to amend the Winding-up Petition and costs of and occasioned by the amendment of the Winding-up Petition be paid by the Petitioner to the Company in any event. The Petitioner amended the Winding-up Petition, including, among others, a reduction of the Alleged Indebtedness to HK$9,600,000. The Board of the Company considers that the issue of the Statutory Demands is, of itself, unlikely to have a negative impact on the Group's financial condition. In addition, the Company may seek to set-off against the Alleged Indebtedness claims which the Company is asserting against Mr. Hung under the Statement of Claim. The Board of the Company is of the view that it has a bona fide claim on substantial grounds and should succeed in the Proceedings by which the Company has made a claim against Mr. Hung, which shall extinguish Mr. Hung's claim in the Winding-up Petition.

*(d) Appointment of Provisional Liquidators*

On 28 January 2010, by a letter to the High Court, Mr. Hung's solicitors applied for an early date for a first hearing of the application for appointment of provisional liquidators to the Company by Mr. Hung (the "Application"). A hearing in respect of the Application took place on 2 February 2010, at which a date was set down for a further hearing on 5 May 2010. The Company and Mr. Hung, through their lawyers, entered into a consent summons whereby the hearing scheduled on 5 May 2010 for the Application was adjourned without a further date of hearing, with liberty to restore. The Court made an order by consent on 26 April 2010 in this regard. Notwithstanding this, the Company received a letter from Mr. Hung's lawyers dated 15 June 2010 in which, among other things, Mr. Hung requested to set down a date for the hearing of the Application. The Application was scheduled to be heard on 9 November 2010. However, upon the joint application of Mr. Hung (the "Petitioner") and the Company by way of consent summons dated 4 November 2010 and upon the Company undertaking to the Court that:

(i) On 9 November 2010, deposit the sum of HK$10,658,922 into a designated interest-bearing bank account opened in the name of Company ("Designated Account") as security for the petitioning debt claimed by the Petitioner in these proceeding and will not use the monies as deposited in the Designated Account until after determination of HCA2477 of 2009 or upon such other condition as may be agreed between the Petitioner and the Company in writing;

(ii) It shall within 3 working days of the written request of the Petitioner provide the bank statements relating to the Designated Account; and

(iii) It shall secure and preserve all the shares and assets (if any) of Wealth Gain and will not dispose of such shares and assets or any part thereof unless with the Petitioner's written consent or until the determination of HCA2477 of 2009;

The High Court ordered, amongst other things, that, without prejudice to the respective contentions advanced by Mr. Hung and the Company, leave be granted to Mr. Hung to withdraw the PL Application. Mr. Hung withdrew the PL Application on 5 November 2010. HK$10,658,922 was deposited into the HCCW Designated Account on 9 November 2010. This payment was financed by the Company's internal funding.

The parties are now in the process of negotiation for the Petitioner to agree to have the Amended Petition be dismissed on the condition that the Company to arrange for a guarantee issued by a bank in Hong Kong in favour of Mr. Hung in the amount equivalent to the above deposit of HK$10,658,922 and the issue regarding the petitioning debt be dealt with in the action HCA2477/2009. Parties did not take any further action in the proceedings until the Petitioner's solicitors sent a letter on 30 April 2013 proposing to re-amend the Amended Petition to include a HK$3,000,000 sum in the winding-up petition in which it is actually part of the consideration under the sale and purchase agreement for the acquisition of Wealth Gain Global Investment Limited and the subject matter of parties' dispute in HCA2477/2009. The Company have objected to the proposed amendment on 9 May 2013 and will oppose the Petitioner's application for leave to amend should they take out such application.

The Company consider the above proposal to be very reasonable and should the parties failed to reach an agreement for the dismissal of the Amended Petition, the Company shall proceed to apply for the dismissal of the Amended Petition.

The Board of the Company, based on legal advice, is of the view that the Company has a very good defence against the Winding-up Petition and the PL Application.

*(e) 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 and is therefore liable to be struck out under the relevant Rules of Court. The Company will defend both the Wages' Claim and the Reimbursement Claim as advised. 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. This case is now in the discovery stage 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. No hearing date has been scheduled for this case on 28 June 2011, the Company and Mr. Hung 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.

Save and except for part of the Reimbursement Claim in the amount of HK$74,221.20 as accepted by the Company, the Board of the Company, based on legal advice, considers that the Company has a good arguable defence to Mr. Hung's claim, and consider that this claim will not have any material impact on the Company.

(f) *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 unauthorised 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.

(g) *Civil claims against Derong*

(i) On 7 March 2013, a PRC independent third party (the "PRC Claimant") filed a statement of claim and an asset preservation application against Derong, an indirect non wholly-owned subsidiary of the Company, in the People's Court for recovery of an alleged indebtedness of RMB6,490,000 plus interest owed to it by Derong (the "Claim I"). However, the statement of claim did not mention a tri-party agreement dated 29 November 2011 among Dreong, the PRC Claimant and a third party (the "Tri-Party Agreement") whereas the alleged indebtedness has been transferred to the said third party.

Upon the asset preservation application taken out by the PRC Claimant, the People's Court ordered to freeze a bank account of Derong with deposit of RMB8,300,000 therein on 8 March 2013 (the "First Injunction Order"). According to the First Injunction Order, Derong is restrained from dealing with the said deposit in the bank account from the service date of the ruling of civil action in respect of the Injunction Order.

After receipt of the said ruling of civil action and the relevant legal documents on 11 March 2013, Derong has retained PRC lawyer to take steps to discharge the First Injunction Order and defend the Claim immediately. Derong filed an opposition application and an Injunction Order discharge application on 18 March 2013 and 26 April 2013 respectively, in which Derong presented its views that the alleged indebtedness sought by the PRC Claimant does not exist at all and the PRC Claimant case was made without merit as all debts owed by Derong to the PRC Claimant was transferred to a third party pursuant to the Tri-Party Agreement. Derong's PRC lawyer opined that Derong should not be held liable for the Claim, Derong has a good defence against the PRC Claimant's Claim and a good chance of success in respect of the Claim.

(ii) In the mid-September 2013, the newly appointed general manager of Derong reported to the Company that due to the First Injunction Order, Derong was not able to repay two loans in the aggregate amount of RMB15,200,000 owing to the lender on the respective due dates. As such, the lender filed a statement of claim and an asset preservation application against Derong in the Intermediate People's Court for recovery of the said indebtedness of RMB15,200,000 plus interest (the "Claim II").

Upon the asset preservation application taken out by the lender, the Intermediate People's Court took out a subordinated Injunction order on the captioned bank account which has been frozen pursuant to the First Injunction Order (the "Subordinated Injunction Order"). Pursuant to the Subordinated Injunction Order, the deposit under the bank account shall be used for the repayment of the amount under the Claim II after the discharge of the First Injunction Order.

Derong has retained PRC lawyer and already obtained the source of funding in respect of the Claim II. Derong is now negotiating with the lender for settlement of the Claim II.

The Board of the Company expects that the Claim shall incur additional financial costs and legal costs and also affects the coal trading business of Derong, but the Claim shall not have material impact on the Group as a whole.

## OTHER EVENTS

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group had a total of 35 employees (30 September 2012: 44) 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. As at 30 September 2013, 127,796,000 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 2013.

## MATERIAL RELATED PARTY TRANSACTION

The Group did not have any material related party transaction for the six months ended 30 September 2013.

## SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the six months ended 30 September 2013.

## EVENTS AFTER THE REPORTING PERIOD

(i) On 23 September 2013, a wholly-owned subsidiary of the Company (the "Purchaser"), GME Holdings Inc. (the "Vendor") and Mr. Poon Wan Yan (the " Vendor Guarantor") entered into the Sale and Purchase Agreement whereby the Purchaser has conditionally agreed to acquire 30% of the issue share capital of Global Mining Engineer Inc. ("Global Mining"), which is a wholly-owned subsidiary of the Vendor incorporated under the laws of Republic of Vanuata, from the Vendor, for the consideration of HK$24,000,000. Global Mining is principally engaged in the businesses of providing Radio Frequency Identification Mining Management System and Solutions ("RFID@MMS") services, and natural resources-related global sources direct services. The total consideration payable by the Purchaser for the acquisition shall be satisfied by the allotment and issue of consideration shares, credited as fully paid to the Vendor on the completion date. The consideration shares will be issued at the issue price of HK$0.137 per consideration share.

    All conditions precedent under the Sales and Purchase Agreement have been fulfilled and Completion took placed on 4 October 2013. On the same date, 175,182,000 consideration shares were allotted and issued to the Vendor. Upon Completion, Global Mining would be held as to 70% and 30% by the Vendor and the Purchaser respectively and will be accounted for as an associate in the financial statements of the Company.

Please refer to the announcement dated 23 September 2013 and 4 October 2014 for further details.

(ii) On 25 October 2013, the Company, City Winner Holdings Limited (the "Vendor") and Ms. Freada Cheung (the "Vendor Guarantor") entered into the Sale and Purchase Agreement whereby the Company conditionally agreed to acquire 7.19% of Kazakhstan Potash Corporation Limited ("Target Company") from the Vendor 12,990,446 shares in consideration of the allotment and issue of 694,905,000 at an issue price of HK$0.1394. The total consideration payable by the Company for the proposed acquisition shall be HK$96,870,000.

The Target Company is a limited liability company incorporated under the laws of Australia and whose shares are listed on the ASX with stock code KPC. The Target Company and its subsidiaries are principally engaged in identification, acquisition, exploration and development of resource projects both internationally and within Australia with the focus on bulk fertilizer products as well as gold and base metals.

The Company considers that there is development potential in the resources sector of the Target Company which has substantial amount of natural resources reserves. The Proposed Acquisition is in line with the Company's development strategy by investing in the resources and energy industry and shall create synergies among the Company's existing businesses. The proposed acquisition shall also diversify the Company's businesses in terms of geographical presence and product range.

However, after the entry of the captioned Sale and Purchase Agreement, the parties conducted further negotiation and agreed to terminate the Sale and Purchase Agreement effective from 8 November 2013.

Please refer to the announcement dated 8 November 2013 for further details.

## 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 2013.

## 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 2013.

## 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 2013.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's results announcement for the six months ended 30 September 2013 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 2013 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, 26 November 2013

*As at the date of this announcement, the executive directors of the Company are Ms. Geng Ying, Mr. Gao Feng, Mr. Chiu Sui Keung and Mr. Wang Xihua, and the independent non-executive directors of the Company are Mr. Lam Williamson, Mr. Cheng Wing Keung Raymond and Mr. Wong Hoi Kuen.*

* *for identification only*