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**SINO RESOURCES GROUP LIMITED**  
**(carrying on business in Hong Kong as Sino Gp Limited)**  
**神州資源集團有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 223)

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

The board of directors (the “Board”) of Sino Resources Group Limited (the “Company”, together with its subsidiaries, the “Group”) hereby announces the audited consolidated results of the Group for the year ended 31 March 2010 together with the comparative figures of year 2009 as follows:–

\* *for identification only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000 (restated)
<b>Continuing operations</b>			
Turnover	5	<u>87,374</u>	<u>213,440</u>
Other revenue	5	3,290	2,434
Other income	6	1,276	2,621
Advertising and promotion expenses		(9,467)	(31,507)
Agency commission		(5,746)	(13,275)
Amortisation and depreciation of trade shows and exhibition operation		(928)	(4,434)
Hotel and travel package expenses		(3,028)	(11,224)
Operating lease rentals		(6,792)	(39,700)
Staff costs		(26,899)	(52,454)
Other operating expenses		(59,574)	(95,953)
Gain on disposal of a subsidiary		2,032	–
Impairment loss recognised in respect of property, plant and equipment		(377)	–
Impairment loss recognised in respect of intangible assets		–	(8,407)
<b>Loss from operating activities</b>	6	<u>(18,839)</u>	<u>(38,459)</u>
Finance costs	7	<u>(22,924)</u>	<u>(14,031)</u>
<b>Loss before tax</b>		<u>(41,763)</u>	<u>(52,490)</u>
Taxation	8	<u>1,156</u>	<u>2,243</u>
Loss for the year from continuing operations		<u>(40,607)</u>	<u>(50,247)</u>
<b>Discontinued operations</b>			
(Loss)/profit for the year from discontinued operations	9	<u>(797,129)</u>	<u>106,805</u>
<b>(Loss)/profit for the year</b>		<u>(837,736)</u>	<u>56,558</u>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		(254)	(1,317)

	<i>Notes</i>	<b>2010</b> <b><i>HK\$'000</i></b>	2009 <i>HK\$'000</i> (restated)
Net loss arising on revaluation of available-for-sale financial assets during the year		–	(1,965)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year		–	4,351
<b>Other comprehensive income for the year, net of tax</b>		<b>(254)</b>	<b>1,069</b>
<b>Total comprehensive income for the year</b>		<b><u>(837,990)</u></b>	<b><u>57,627</u></b>
<b>Dividends</b>	10	<b><u>–</u></b>	<b><u>–</u></b>
<b>(Loss)/profit attributable to: Owners of the Company</b>		<b><u>(837,736)</u></b>	<b><u>56,558</u></b>
<b>Total comprehensive income attributable to: Owners of the Company</b>		<b><u>(837,990)</u></b>	<b><u>57,627</u></b>
<b>(Loss)/earnings per share attributable to owners of the Company</b>	11		
For continuing and discontinued operations			
– Basic		<b><u>(77) cents</u></b>	<b><u>7 cents</u></b>
– Diluted		<b><u>(77) cents</u></b>	<b><u>6 cents</u></b>
For continuing operations			
– Basic		<b><u>(4) cents</u></b>	<b><u>(6) cents</u></b>
– Diluted		<b><u>(4) cents</u></b>	<b><u>(6) cents</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment		<b>1,886</b>	151,936	75,291
Intangible assets		–	741,357	603,667
Goodwill		–	341,062	341,062
Available-for-sale financial assets		–	–	10,377
		<hr/> <b>1,886</b>	<hr/> 1,234,355	<hr/> 1,030,397
<b>Current assets</b>				
Inventories		–	25,185	10,776
Deposits, prepayments and other receivables	12	<b>185,287</b>	46,340	42,928
Trade receivables		<b>1,065</b>	33,616	20,469
Tax prepayment		<b>881</b>	3,226	–
Cash and cash equivalents		<b>5,514</b>	51,540	67,839
		<hr/> <b>192,747</b>	<hr/> 159,907	<hr/> 142,012
<b>Less: Current liabilities</b>				
Trade payables		–	23,097	3,859
Deferred revenue		<b>32</b>	2,720	2,187
Amounts due to shareholders and a director	13	<b>138,517</b>	11,118	–
Accrued liabilities and other payables	14	<b>216,348</b>	416,543	583,828
Other borrowings		<b>5,165</b>	33,953	–
Deposits received in advance		<b>1,954</b>	54,377	79,096
Tax payable		<b>235</b>	40,512	20,430
		<hr/> <b>362,251</b>	<hr/> 582,320	<hr/> 689,400
<b>Net current liabilities</b>		<hr/> <b>(169,504)</b>	<hr/> (422,413)	<hr/> (547,388)
<b>Total assets less current liabilities</b>		<hr/> <b>(167,618)</b>	<hr/> 811,942	<hr/> 483,009

	<b>2010</b>	2009	2008
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Less: Non-current liabilities</b>			
Deposits received in advance	–	–	6,307
Deferred income	–	2,719	2,681
Other long term liabilities	–	76,713	75,692
Convertible notes	<b>128,592</b>	115,988	196,518
Deferred tax liabilities	<b>7,410</b>	9,426	22,371
	<u><b>136,002</b></u>	<u>204,846</u>	<u>303,569</u>
<b>Net (liabilities)/assets</b>	<u><b>(303,620)</b></u>	<u>607,096</u>	<u>179,440</u>
<b>Equity</b>			
Share capital	<b>11,138</b>	9,358	4,397
Reserves	<b>(314,758)</b>	597,738	175,043
	<u><b>(303,620)</b></u>	<u>607,096</u>	<u>179,440</u>
<b>Total equity attributable to owners of the Company</b>	<u><b>(303,620)</b></u>	<u>607,096</u>	<u>179,440</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2010*

### 1. CORPORATE INFORMATION

Sino Resources Group Limited (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 Suite 2502, 25/F, No. 9 Queen’s Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are acting as show manager of the exhibitions and trade shows and providing ancillary services.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 April 2009. A summary of the new HKFRSs are set out as below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 38 (Amendment)	Intangible Assets
HKAS 40 (Amendment)	Investment Properties
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRS issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior years.

### **HKAS 1 (Revised) Presentation of Financial Statements**

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

### **HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.

### **Improving Disclosures about Financial Instruments**

*(Amendments to HKFRS 7 Financial Instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 28 (Amendment)	Investments in Associates <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>7</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Equity holders <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

#### (a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost except for certain financial assets and financial liabilities which are carried at fair value.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities and net liabilities of approximately HK\$169,504,000 and HK\$303,620,000 at 31 March 2010 respectively. The directors of the Company have been taking steps to improve the liquidity of the Group. A substantial shareholder of the Company has 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 they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

#### (i) *Mine Acquisition Agreement and 2008 Agreements*

As detailed in various announcements of the Company throughout the years ended 31 March 2008, 2009 and 2010 and up to the date of approval of these financial statements, 黑龍江北方企業集團有限責任公司 (transliterated as “Heilongjiang Northern Enterprises Group Co., Ltd”) (the “Mine Seller”) and Wealth Gain Global Investment Limited, a wholly owned subsidiary of the Group (the “Subsidiary”) (collectively referred to as the “Parties”) entered into an agreement dated 30 October 2007 (as supplemented by a supplemental agreement dated 31 December 2007) (the “Mine Acquisition Agreement”) in respect of the transfer of Shuangyashan Northern Sheng Ping Mining Limited (the “Coal Mine Company”) from the Mine Seller to the Subsidiary (the “Transfer”). The Parties also entered into an agreement dated 31 October 2008 (the “Mine Acquisition Extension Agreement”), pursuant to which the Parties agreed to extend the time of payment of the consideration for the Transfer to 16 April 2009, with an option to extend such time for a further three months to 16 July 2009. However, during the financial year ended 31 March 2009 and subsequently, the Mine Seller alleged that the Mine Acquisition Agreement did not comply with the



relevant laws and regulations of the People's Republic of China (the "PRC") and was therefore invalid. The Mine Seller also alleged that the Mine Acquisition Extension Agreement was filed and registered with the relevant PRC authorities without the knowledge of the Mine Seller, and the Mine Seller proceeded to apply for the cancellation of the registration of the Mine Acquisition Extension Agreement.

On the other hand, the Mine Seller claimed that the only valid agreement in respect of the Transfer was an agreement dated 25 March 2008 (the "2008 Agreement") which was allegedly entered into between the Parties and which was filed and registered with the relevant PRC authorities.

On 17 January 2009, the Mine Seller filed a statement of claim against the Subsidiary (the "Statement of Claim filed by the Mine Seller") with the High Court of the Heilongjiang Province of the PRC (the "Court") seeking, among other things, (1) a rescission of the relevant agreements in respect of the Transfer; (2) the return of the entire equity interest in the Coal Mine Company to the Mine Seller; and (3) costs and other relief. On 20 April 2009, the Company received a summons from the Court (attaching the Statement of Claim filed by the Mine Seller) as official notice of proceedings against the Subsidiary (the "Litigation"). Court hearings were held on 22 July 2009 and 13 November 2009.

On 11 February 2010, the Company received through its PRC legal advisers the judgment dated 5 February 2010 made by the Court, (the "Judgment") which ordered that (1) the 2008 Agreement made between the Mine Seller and the Subsidiary be dissolved; (2) the Subsidiary should return its entire equity interest in the Coal Mine Company to the Mine Seller; and (3) the costs of the action in the amount of RMB741,000 (equivalent to approximately HK\$843,000) be borne by the Subsidiary. At a meeting held on 12 March 2010, the board of directors of the Company was of the view that there were no sufficient grounds to appeal, having considered the reasonable efforts made to search for additional evidence, the legal opinions, the Group's financial condition and resources currently available to the Company. On the basis of the legal opinions, the board of directors of the Company decided not to appeal against the Judgment. On 16 March 2010, the Judgment became effective and the Group lost its ownership of the Coal Mine Company.

(ii) *Financial information of the Coal Mine Company*

Due to the Litigation as explained in (i) above, despite the Group's continuous efforts in restoring effective control of the Coal Mine Company up to the effective date of the Judgment, the Group was unable to obtain the financial information of the Coal Mine Company for the period from 1 April 2009 to 16 March 2010 (effective date of the Judgment). The directors of the Company considered that the Group had lost its power to govern the financial and operating policies of the Coal Mine Company so as to obtain benefit from its activities with effect from 1 April 2009. Accordingly, in preparing the consolidated financial statements of the Group for the year ended 31 March 2010, the Coal Mine Company was deconsolidated with effect from 1 April 2009, and the loss arising from loss of control of the Coal Mine Company of approximately HK\$797,129,000 was arrived at based on the latest available unaudited financial information of the Coal Mine Company as at 31 March 2009.

#### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segment. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group organised into two operating divisions: trade shows and exhibition operation and Resources operation in coal. These divisions are the basis on which the Group reports its segment information.

The two operating and reportable segments are as follows:

Trade shows and exhibition operation	Trade shows and exhibition operation and providing ancillary services in Hong Kong, Macau and the United Kingdom
Resources operation in coal	Production and sale of coal in the PRC

During the year ended 31 March 2010, the Group lost its resources operation in coal.

## Segment revenues and results

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

2010

	<b>Continuing operations</b>	<b>Discontinued operations</b>	
	<b>Trade shows and exhibition operation</b>	<b>Resources operation in coal</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>			
Turnover from external customers	<u>87,374</u>	<u>–</u>	<u>87,374</u>
<b>Result</b>			
Segment result	<u>4,428</u>	<u>–</u>	4,428
Unallocated income			245
Unallocated corporate expenses			(25,544)
Gain on disposal of a subsidiary	2,032	–	2,032
Loss arising from loss of control of a subsidiary	–	(797,129)	(797,129)
Finance costs			<u>(22,924)</u>
Loss before tax			(838,892)
Taxation			<u>1,156</u>
Loss for the year			<u>(837,736)</u>

2009

	Continuing operations	Discontinued operations	
	Trade shows and exhibition operation <i>HK\$'000</i>	Resources operation in coal <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>			
Turnover from external customers	213,440	395,793	609,233
<b>Result</b>			
Segment result	(11,243)	159,737	148,494
Unallocated income			2,680
Unallocated corporate expenses			(29,896)
Finance costs			(21,594)
Profit before tax			99,684
Taxation			(43,126)
Profit for the year			56,558

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: nil).

Segment results represent the profit/(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****2010**

	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	Trade shows and exhibition operation	Resources operation in coal	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Segment assets	21,492	–	21,492
Unallocated corporate assets			173,141
			<u>194,633</u>
<b>Liabilities</b>			
Segment liabilities	46,836	–	46,836
Unallocated corporate liabilities			451,417
			<u>498,253</u>

2009

	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	Trade shows and exhibition operation	Resources operation in coal	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Segment assets	38,947	1,329,482	1,368,429
Unallocated corporate assets			25,833
			<u>1,394,262</u>
<b>Liabilities</b>			
Segment liabilities	72,243	242,746	314,989
Unallocated corporate liabilities			472,177
			<u>787,166</u>

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

- all assets are allocated to reportable segments other than corporate assets and goodwill; and
- all liabilities are allocated to reportable segments other than corporate liabilities, convertible notes and deferred tax liabilities.

### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade shows and exhibition operation	928	4,434	45	1,067
Resources operation in coal	–	118,437	–	179,666
Unallocated	315	187	77	2,521
	<u>1,243</u>	<u>123,058</u>	<u>122</u>	<u>183,254</u>

In addition to the depreciation and amortisation reported above, impairment losses of approximately HK\$377,000 (2009: Nil) and HK\$Nil (2009: HK\$8,407,000) were recognised in respect of property, plant and equipment and intangible assets respectively. These impairment losses were attributable to the trade shows and exhibition operation.

### Geographical information

The Group's operations are mainly located in Hong Kong, Macau, UK 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:

	Turnover by geographical market	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	77,165	181,740
Macau	–	24,454
UK	6,704	7,245
The PRC	3,505	395,794
	<u>87,374</u>	<u>609,233</u>

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and derivative financial instrument) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	1,886	345,396
The PRC	–	888,959
	<u>1,886</u>	<u>1,234,355</u>

\* Non-current assets excluding financial instruments and deferred tax assets.

### Information about major customers

During the year ended 31 March 2010 and 2009, no revenue from a single customer account for 10% of the Group's revenue.

## 5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of participation fee income, hotel and travel package income, and advertising fee income. Relating to the sales in the UK, the turnover is stated net of output value added tax of approximately HK\$1,422,000 (2009: HK\$2,063,000) accrued at 17.5% of the gross income generated from the exhibition and shows held in the UK (2009: 17.5% of gross income generated from the exhibition and shows held in the UK).

An analysis of the Group's turnover and other revenue from continuing operation is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<b>Turnover</b>		
Participation fee income	<b>78,151</b>	196,170
Hotel and travel package income	<b>2,902</b>	9,682
Advertising fee income	<b>6,321</b>	7,588
	<u><b>87,374</b></u>	<u>213,440</u>
<b>Other revenue</b>		
Interest income	<b>28</b>	866
Ancillary services for participation services	<b>1,187</b>	–
Floor management fee income	–	1,500
Forfeited deposit received	<b>1,723</b>	68
Sundry income	<b>352</b>	–
	<u><b>3,290</b></u>	<u>2,434</u>
<b>Total revenue</b>	<u><b>90,664</b></u>	<u>215,874</u>

## 6. LOSS FROM OPERATING ACTIVITIES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
The Group's loss from operating activities is arrived at after charging:		
Amortisation of intangible assets	–	1,978
Depreciation of property, plant and equipment	<u>1,243</u>	<u>2,643</u>
Total amortisation and depreciation	<u><u>1,243</u></u>	<u><u>4,621</u></u>
Staff costs (including directors' remuneration)		
– wages and salaries	26,558	51,524
– retirement benefits scheme contributions	<u>341</u>	<u>930</u>
	<u><u>26,899</u></u>	<u><u>52,454</u></u>
Auditors' remuneration	700	1,900
Minimum lease payments under operating lease rentals of land and buildings ( <i>note (i)</i> )	6,792	39,700
Transfer from equity on disposal of available-for-sale investments	<u>–</u>	<u>4,351</u>
and after crediting:		
<b>Other income:</b>		
Exchange differences, net	268	–
Fair value change of derivative financial instrument	–	2,047
Other income	<u>1,008</u>	<u>574</u>
	<u><u>1,276</u></u>	<u><u>2,621</u></u>

*Note:*

- (i) For the year ended 31 March 2009, the amount includes rentals paid for the venues of exhibitions and trade shows held in the United Kingdom, net of input value added tax of approximately HK\$1,194,000 accrued at 17.5% of the gross rental expenses for the year.



## 7. FINANCE COSTS

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
Interests on other borrowings wholly repayable within five years	<b>354</b>	273
Interests on amounts due to shareholders and a director wholly repayable within five years	<b>10,350</b>	118
Imputed interest expense on convertible notes	<b>12,220</b>	13,640
	<u><b>22,924</b></u>	<u>14,031</u>

## 8. TAXATION

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
Hong Kong profits tax:		
Current year	<b>860</b>	722
Over-provision in previous years	<b>–</b>	(715)
	<u><b>860</b></u>	<u>7</u>
Deferred tax:		
Current year	<b>(2,016)</b>	(2,250)
	<u><b>(1,156)</b></u>	<u>(2,243)</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rate of taxation prevailing in the countries in which the Group operates.

## 9. DISCONTINUED OPERATIONS

Save as disclosed in Note 3(a) to the consolidated financial statement, the board of directors of the Company considered that the Coal Mine Company shall be treated as having been deconsolidated from that of the Group with effect from 1 April 2009. Details of the assets and liabilities disposed of, and the calculation of the loss arising from loss of control, are disclosed in note 16.

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
(Loss)/profit for the year from discontinued operations		
Turnover	–	395,793
Cost of sales	–	(147,885)
Other income	–	212
Selling expenses	–	(1,727)
Other operating expenses	–	(86,656)
Finance costs	–	(7,563)
	<hr/>	<hr/>
Profit before tax	–	152,174
Taxation	–	(45,369)
	<hr/>	<hr/>
	–	106,805
	<hr/>	<hr/>
Loss arising from loss of control of a subsidiary (note 16)	<b>(797,129)</b>	–
	<hr/>	<hr/>
(Loss)/profit for the year from discontinued operations	<b>(797,129)</b>	106,805
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the year from discontinued operations include the following:		
Depreciation	–	104,987
	<hr/> <hr/>	<hr/> <hr/>
Cash flows from discontinued operations		
Net cash inflows from operating activities	–	225,429
Net cash outflows from investing activities	<b>(13,395)</b>	(205,610)
Net cash outflows from financing activities	–	(7,563)
	<hr/>	<hr/>
Net cash (outflows)/inflows	<b>(13,395)</b>	12,256
	<hr/> <hr/>	<hr/> <hr/>

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: Nil).

## 11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### For continuing and discontinued operations

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings attributable to owners of the Company for the purpose of basic (loss)/earnings per share	<b>(837,736)</b>	56,558
Effect of diluted potential ordinary share:		
Interest expense on convertible notes	<b>12,220</b>	13,640
Deferred tax arises in respect of interest expense on convertible notes	<b>(2,016)</b>	(2,250)
	<hr/>	<hr/>
(Loss)/earnings attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	<b>(827,532)</b>	67,948
	<hr/> <hr/>	<hr/> <hr/>
	<b>2010</b>	2009
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earning per share	<b>1,083,205,213</b>	839,247,493
Effect of dilutive potential ordinary shares:		
Convertible notes	<b>347,000,000</b>	347,000,000
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>1,430,205,213</b>	1,186,247,493
	<hr/> <hr/>	<hr/> <hr/>

### For continuing operations

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company for the purpose of basic loss per share	<b>(40,607)</b>	(50,247)
Effect of diluted potential ordinary share:		
Interest expense on convertible notes	<b>12,220</b>	13,640
Deferred tax arises in respect of interest expense on convertible notes	<b>(2,016)</b>	(2,250)
	<hr/>	<hr/>
Loss attributable to owners of the Company for the purpose of diluted loss per share	<b>(30,403)</b>	(38,857)
	<hr/> <hr/>	<hr/> <hr/>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

### For discontinued operations

Basic loss per share for the discontinued operations is HK\$ 73 cents per share (2009: earnings of HK\$ 13 cents per share) and diluted loss per share for the discontinued operations is HK\$ 73 per cents (2009: earnings of HK\$ 9 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$797,129,000 (2009: profit of HK\$106,805,000) and the denominators detailed above for both basic and diluted earnings per share.

For the year ended 31 March 2010, diluted loss per share for continuing and discontinued operations is the same as the basic loss per share as the outstanding convertible notes had anti-dilutive effect on the basic loss per share.

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Deposits	<b>1,651</b>	5,822	17,712
Prepayments	<b>4,929</b>	25,641	16,695
Other receivables	<b>178,707</b>	14,877	8,521
	<hr/>	<hr/>	<hr/>
	<b>185,287</b>	46,340	42,928
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2010, included in other receivables, approximately HK\$159,320,000 was the deposits previously paid into Heilongjiang Haerbin Intermediate People's Court. The deposits were returned to the Group subsequent to the end of the reporting period.

### 13. AMOUNTS DUE TO SHAREHOLDERS AND A DIRECTOR

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amount due to Hung Chen, Richael (“Mr. Hung”) ( <i>note i</i> )	44,335	11,118	–
Amount due to ACE Channel Limited ( <i>note ii</i> )	88,960	–	–
Amount due to a director ( <i>note iii</i> )	5,222	–	–
	<u>138,517</u>	<u>11,118</u>	<u>–</u>

*Note:*

(i) The amount due to Mr. Hung is the principal amount and interests and details terms are summarized as bellows:

- 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;
- 3) HK\$28,500,000 loan is unsecured, bearing interest at a prime rate plus 5% (i.e. 10%) per annum due on 15 October 2009; and
- 4) HK\$1,600,000 advanced is unsecured, non interest bearing and repayable on demand.

(ii) The amount due to ACE Channel Limited, beneficially owned by Mr. Gao Feng, a director of the Company, is the principal amount and interests and details terms are summarized as follows:

- 1) HK\$70,000,000 loan is unsecured, bearing interest at a prime rate plus 5% (i.e. 10%) per annum due on 15 October 2009, and renewed on 1 March 2010 with bearing interest at a fixed rate 1.6% per month and due on 31 May 2010;
- 2) HK\$10,000,000 loan is unsecured, bearing interest at a fixed rate 1.6% per month and due on 31 May 2010; and
- 3) HK\$3,684,200 loan is unsecured, bearing interest at a prime rate plus 5% (i.e. 10%) per annum due on 18 December 2009, and renewed on 1 March 2010 with bearing interest at a fixed rate 1.6% per month and due on 31 May 2010.

The loan has already been repaid subsequently on 9 April 2010.

(iii) The loan from a director is unsecured, bearing interest at a prime rate plus 5% (i.e. 10%) per annum due on 15 October 2009. The loan has already been renewed on 1 March 2010 with bearing interest at a fixed rate of 1.6% per month and due on 31 May 2010. The loan has already been repaid subsequently on 7 April 2010.

#### 14. ACCRUED LIABILITIES AND OTHER PAYABLES

	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued liabilities	<b>165,584</b>	205,946	350,915
Other payables	<b>50,764</b>	34,040	56,356
Amount due to a former shareholder of a subsidiary	–	176,557	176,557
	<b>216,348</b>	416,543	583,828

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

As at 31 March 2009, HK\$176,557,000 was payable to a former shareholder of the Coal Mine Company. The amount has already been reversed in the year ended 31 March 2010 after the Judgment made by the Heilongjiang Court in connection with the Coal Mine Company litigation has been effected on 16 March 2010.

#### 15. PLEDGE OF ASSETS

##### **The Company**

At 31 March 2009, an equity interest of a wholly owned subsidiary of the Company has been pledged to an independent third party to secure credit facilities granted to the Company.

## 16. LOSS ARISING FROM LOSS OF CONTROL OF A SUBSIDIARY

As explained in Note 3(a) to the financial statements, the board of directors of the Company considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise control over the financial and operating policy decisions of the Coal Mine Company with effect from 1 April 2009. The Group recorded the loss arising from loss of control of the Coal Mine Company of approximately HK\$797,129,000 based on its unaudited financial statements for the year ended 31 March 2009, which are the latest management accounts available to the directors of the Company.

Details of the net assets of the Coal Mine Company as at 1 April 2009 are set out below:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	146,242
Intangible assets	741,357
Inventories	25,185
Deposits, prepayments and other receivables	28,625
Trade receivables	33,616
Cash and bank balances	13,395
Trade payables	(23,097)
Tax payable	(40,436)
Deposits received in advance	(473)
Deferred income	(2,719)
Accrued liabilities and other payables	(83,627)
Other borrowings	(15,681)
Other long term liabilities	(76,713)
	<hr/>
	745,674
Amount payable to former shareholder of the Coal Mine Company	(156,716)
Attributable goodwill	341,062
	<hr/>
	930,020
Release of other reserves	(132,891)
Net loss on loss of control of a subsidiary	(797,129)
	<hr/>
	-
	<hr/> <hr/>
Analysis of net outflow of cash and cash equivalents arising from loss of control of a subsidiary	  (13,395)
	<hr/> <hr/>

## **EXTRACTED FROM INDEPENDENT AUDITORS' REPORT**

### **BASIS FOR DISCLAIMER OF OPINION**

- (a) As detailed in various announcements of the Company throughout the years ended 31 March 2008, 2009 and 2010 and up to the date of this report, 黑龍江北方企業集團有限責任公司 (transliterated as “Heilongjiang Northern Enterprises Group Co., Ltd”) (the “Mine Seller”) and Wealth Gain Global Investment Limited, a wholly owned subsidiary of the Group (the “Subsidiary”) (collectively referred to as the “Parties”) entered into an agreement dated 30 October 2007 (as supplemented by a supplemental agreement dated 31 December 2007) (the “Mine Acquisition Agreement”) in respect of the transfer of Shuangyashan Northern Sheng Ping Mining Limited (the “Coal Mine Company”) from the Mine Seller to the Subsidiary (the “Transfer”). The Parties also entered into an agreement dated 31 October 2008 (the “Mine Acquisition Extension Agreement”), pursuant to which the Parties agreed to extend the time of payment of the consideration for the Transfer to 16 April 2009, with an option to extend such time for a further three months to 16 July 2009. However, during the financial year ended 31 March 2009 and subsequently, the Mine Seller alleged that the Mine Acquisition Agreement did not comply with the relevant laws and regulations of the People’s Republic of China (the “PRC”) and was therefore invalid. The Mine Seller also alleged that the Mine Acquisition Extension Agreement was filed and registered with the relevant PRC authorities without the knowledge of the Mine Seller, and the Mine Seller proceeded to apply for the cancellation of the registration of the Mine Acquisition Extension Agreement.

On the other hand, the Mine Seller claimed that the only valid agreement in respect of the Transfer was an agreement dated 25 March 2008 (the “2008 Agreement”) which was allegedly entered into between the Parties and which was filed and registered with the relevant PRC authorities.

On 17 January 2009, the Mine Seller filed a statement of claim against the Subsidiary (the “Statement of Claim”) with the High Court of the Heilongjiang Province of the PRC (the “Court”) seeking, among other things, (1) a rescission of the relevant agreements in respect of the Transfer; (2) the return of the entire equity interest in the Coal Mine Company to the Mine Seller; and (3) costs and other relief. On 20 April 2009, the Company received a summons from the Court (attaching the Statement of Claim) as official notice of proceedings against the Subsidiary (the “Litigation”). Court hearings were held on 22 July 2009 and 13 November 2009. The abovementioned events were disclosed in our auditors’ report dated 31 December 2009.



On 11 February 2010, the Company received through its PRC legal advisers the judgment dated 5 February 2010 made by the Court, (the “Judgment”) which ordered that (1) the 2008 Agreement made between the Mine Seller and the Subsidiary be dissolved; (2) the Subsidiary should return its entire equity interest in the Coal Mine Company to the Mine Seller; and (3) the costs of the action in the amount of RMB741,000 (equivalent to approximately HK\$843,000) be borne by the Subsidiary. At a meeting held on 12 March 2010, the board of directors of the Company (the “Board”) was of the view that there were no sufficient grounds to appeal, having considered the reasonable efforts made to search for additional evidence, the legal opinions, the Group’s financial condition and resources currently available to the Company. On the basis of the legal opinions, the Board decided not to appeal against the Judgment. On 16 March 2010, the Judgment became effective and the Group lost its ownership of the Coal Mine Company.

- (b) Due to the Litigation as explained in (a) above, despite the Group’s continuous efforts in restoring effective control of the Coal Mine Company up to the effective date of the Judgment, the Group was unable to obtain the financial information of the Coal Mine Company for the period from 1 April 2009 to 16 March 2010 (effective date of the Judgment). The directors of the Company considered that the Group had lost its power to govern the financial and operating policies of the Coal Mine Company so as to obtain benefit from its activities with effect from 1 April 2009. Accordingly, in preparing the consolidated financial statements of the Group for the year ended 31 March 2010, the Coal Mine Company was deconsolidated with effect from 1 April 2009, and the loss arising from loss of control of the Coal Mine Company of approximately HK\$797,129,000 was arrived at based on the latest available unaudited financial information of the Coal Mine Company as at 31 March 2009.

However, we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to the reasonableness of the bases used by the directors in determining the effective date of loss of control of the Coal Mine Company, and therefore as to whether the Coal Mine Company should be deconsolidated with effect from 1 April 2009. Furthermore, we have been unable to carry out auditing procedures that we consider necessary to satisfy ourselves as to whether the loss arising from loss of control of the Coal Mine Company of approximately HK\$797,129,000 included in the consolidated financial statements of the Group for the year ended 31 March 2010, as well as the related disclosures set out in the notes to the consolidated financial statements, are free from material misstatements. We have also been unable to determine whether any adjustments to the financial information of the Coal Mine Company were necessary. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 March 2010 and the loss and cash flows of the Group for the year ended 31 March 2010 and may have resulted in additional information being disclosed in the financial statements as to the nature of the transactions relating to the Coal Mine Company.

- (c) The corresponding figures in the current year's financial statements are derived from the financial statements for the year ended 31 March 2009 which contained a disclaimer audit opinion of which details of qualifications were set out in our auditors' report dated 31 December 2009 for the Group's financial statements for the year ended 31 March 2009. Therefore, the comparative figures may not be comparable and any adjustment to these figures that might have been found necessary in respect would have had a consequential impact on the opening balances of net assets of the Group as at 1 April 2009, the opening balances of the accumulated losses of the Group at 1 April 2009, the Group's result for the years ended 31 March 2010 and the related disclosures thereof in the financial statements.

### **DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work as described in the basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

### **MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING**

Without qualifying our opinion, we draw attention to note 3(a) to the financial statements which indicates that the Group had net current liabilities of approximately HK\$169,504,000 and net liabilities of approximately HK\$303,620,000 as at 31 March 2010. These conditions, along with other matters as set forth in note 3(a) to the financial statements, indicate that existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Sino Resources Group Limited (the “Company”, together with its subsidiaries, the “Group”) has been engaged in show manager of exhibitions, trade fairs and provision of ancillary service.

#### **1. EXHIBITION BUSINESS**

During the year under review, the Group acted as show manager of the “Mega Shows Part 1 & 2” held in October 2009, the “London Asia Expo” held in January 2010 and the “Ningbo International Sourcing Expo” held in March 2010 successfully.

The Group’s exhibition business was scaled down during the year in light of the global financial crisis and outbreak of swine flu. However, in line with the gradual recovery of the global economy and with the effective cost reduction strategy by outsourcing certain operations, the performance of the Group’s exhibition business was improved for the year ended 31 March 2010 despite of the scale down. The Group’s exhibition business turned into a profit from a loss since the year under review and the Board believes that it will keep contributing stable revenue to the Group.

#### **2. LITIGATION IN THE PRC IN CONNECTION WITH THE ACQUISITION OF SHUANGYASHAN NORTHERN SHENG PING MINING LIMITED (THE “COAL MINE COMPANY”) BETWEEN WEALTH GAIN GLOBAL INVESTMENT LIMITED (“WEALTH GAIN”, THE GROUP’S WHOLLY-OWNED SUBSIDIARY) AND 黑龍江北方企業集團有限責任公司 (HEILONGJIANG NORTHERN ENTERPRISES GROUP CO., LTD., THE “MINE SELLER”)**

On 20 July 2009, the Company paid a total of approximately HK\$159,320,000 (the “Deposit”) into Heilongjiang Haerbin Intermediate People’s Court (the “Haerbin Intermediate Court”) according to the court’s instructions.

On 5 February 2010, a judgment was made by the Supreme People’s Court of Heilongjiang Province (the “Judgment”) which stated, inter alia, that (i) the 2008 agreement made between the Mine Seller and Wealth Gain (the “2008 Agreement”) be dissolved; and (ii) Wealth Gain should return its entire shareholding in the Coal Mine Company to the Mine Seller.

A meeting of the Board was held on 12 March 2010 and the Board is of the view that there is no sufficient grounds to appeal, having considered the reasonable efforts made to search for additional evidence, the first and second PRC legal opinions on the feasibility of an appeal, the Group’s financial condition and resources currently available to the Company. On the basis of the PRC legal opinions, the Board has decided not to appeal against the Judgment.

On 16 March 2010, Wealth Gain filed an application to the Haerbin Intermediate Court for the return of the Deposit. The Deposit was returned to Wealth Gain in April 2010.

On 2 April 2010, the Jingbao second brigade of Xiangfang Branch Police Station (the “Branch Police Station”) in Harbin City of Heilongjiang Province, China issued a notice (the “Notice”) to the Mine Seller, which states that the company seal of the Mine Seller used in the execution of the Extension Agreement filed with the Approval Office for Foreign Capital under the Department of Business of Heilongjiang Province by Wealth Gain is forged. The Notice also states that the Branch Police Station would further investigate the suspected forgery of company seal by Mr. Hung Chen Richael, the former director of Wealth Gain. The Company is arranging for authentication of the Notice and is seeking legal advice from its lawyers. The Company will make further announcement as and when appropriate in this regard.

### **3. LITIGATION IN HONG KONG BETWEEN MR. HUNG CHEN, RICHAEAL (“MR. HUNG”) AND THE COMPANY**

#### **Statement of Claim**

The Company commenced proceedings against Mr. Hung at the High Court of Hong Kong (the “High Court”) with regards to a breach of contract by Mr. Hung, in connection with the 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 Capital Limited (“Mega Wealth”) and Webright Limited (“Webright”) in connection with the Agreement, for, inter alia, rescission of the Agreement (the “Statement of Claim”). 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 several 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.

### **Injunction Order**

On 22 January 2010, the High Court granted an ex parte injunction order (the “Injunction Order”) against Mr. Hung and Mega Wealth and Webright. 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 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 consideration 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 has paid HK\$10,000,000, funded from a substantial Shareholder, 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, Mr. Hung and his companies Mega Wealth and Webright.

Furthermore, the Court made a costs order nisi that the Company should pay the defendants' costs relating 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.

The Company takes the view that the costs order nisi currently has no material impact on the Company's finances and will make further announcements as and when appropriate.

### **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.

The Board considers that the issue of the Statutory Demands is, of itself, unlikely to have a negative impact on the Group’s financial condition. The Alleged Indebtedness was fully recognized in the Company’s interim results for the six months ended 30 September 2009. 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 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.

### **Application for Appointment of Provisional Liquidators to the Company by Mr. Hung (the “Application”)**

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.

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. In response to Mr. Hung’s request, the Company and Mr. Hung, through their lawyers, have fixed with the Court a hearing date for the Application on 9 November 2010.

The Board is of the view that the Application has no merits and will fail. The Company has already retained solicitors and counsel to oppose the Application.

The Board will follow closely on the development of the above matters and inform the shareholders of the Company on a timely basis.

## **RESULTS ANALYSIS**

As a result of the Board's decision not to appeal the Judgment, the Coal Mine Company was written off from the Group's consolidated accounts for the year ended 31 March 2010. Given that the Coal Mine Company has already been deconsolidated from the Group in the last interim period ended 30 September 2009, the effect of the Judgment has been reflected in the Group's accounts, including full impairment of goodwill of HK\$341,062,000 which arose from the acquisition of Wealth Gain and the loss arising from loss on control of a subsidiary of HK\$797,129,000.

For the year ended 31 March 2010, the Group's continuing operation recorded turnover of HK\$87,374,000, representing a decrease of 59% over last year. For the year ended 31 March 2010, the Group recorded a loss attributable to shareholders of approximately HK\$837,736,000 (for the year ended 31 March 2010: profit attributable to shareholders of approximately HK\$56,558,000); basic losses per share was approximately HK\$77 cents (2009: basic earnings per share HK\$7 cents).

The decrease in turnover and the net loss were mainly attributable to (i) the scale down of the Group's exhibition business during the period under review; and (ii) the deconsolidation of the Coal Mine Company's financial results from the Group since 1 April 2009.

The operating result of the Group's exhibition business has been improving during these years. The Group's segment loss for its exhibition business was approximately HK\$28,683,000 in 2006, which has been minimizing and reduced to approximately HK\$11,243,000 in 2009. For the year ended 31 March 2010, the Group achieved a turnaround for its exhibition business and recorded a segment profit of approximately HK\$4,428,000. The turnaround was mainly contributed by the higher cost effectiveness of the exhibition operations and improved responses from exhibitors for the Group's events as a result of refined sales & marketing strategies and the recovering economic condition.

## **PROSPECT AND OUTLOOK**

The Group will continue to be the show manager of the Mega Shows Part 1 & 2 and London Asia Expo for the year ending 31 March 2011. Although the Group will not be the show manager of the Ningbo International Sourcing Expo in the coming year having considered this year's performance, the Group will continue to discuss with local organizers and local bureaus for other potential exhibition businesses in China.



The Group will use its best endeavors to improve its operating results in the next financial year. It will increase its sales efforts to attract more exhibitors to participate in the trade shows and exhibitions, particularly for exhibitors from Mainland China; and will consider expanding into new sources of revenue. It will also continue to adopt cost reduction strategies with a particular focus on cutting overheads and legal expenses on Company level.

Despite of the Coal Mine Company issues, the Group will continue to explore investment opportunities in the resources sector in an attempt to diversify the Group's business into areas with higher growth potential and achieve inorganic growth.

Subsequent to the balance sheet date, the Deposit of approximately HK\$159,321,000 was refunded to Wealth Gain. After the refund, the Deposit was used principally for repayment of several outstanding loans of the Group, which has significantly enhanced the Group's gearing ratio. With these subsequent events be reflected in the Group's results for the next financial year ending 31 March 2011, and the fact that the one-off impact from writing off the Coal Mine Company has been fully reflected in this financial year under review, the Board expects that the Group's financial performance will become more stable in the next financial year.

Since 28 July 2009, the trading of Company's shares has been suspended. At present, the Company is actively pursuing resumption of trading of its shares with The Stock Exchange of Hong Kong Limited and will make appropriate announcement in due course.

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Capital Structure**

The Group derived its working capital mainly from internal cash flow from operating activities.

As at 31 March 2010, deficit on shareholders' funds of the Group aggregately amounted to HK\$303,620,000 (31 March 2009: surplus on shareholders' fund HK\$607,096,000). As at 31 March 2010, the Group's assets-liabilities ratio (total liabilities to total assets) was approximately 2.56 times (31 March 2009: 56.46%). Net current liabilities of the Group amounted to approximately HK\$169,504,000 (31 March 2009: HK\$422,413,000). Current assets of the Group was approximately HK\$192,747,000 (31 March 2009: HK\$159,907,000), of which fixed deposits, cash and bank balances amounted to approximately HK\$5,514,000 (31 March 2009: HK\$51,540,000).

As at 31 March 2010, the Group's gearing ratio (total debts to total equity) was 89.7% (31 March 2009: 27%).

### **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.

### **Dividend**

The Board of the Company does not recommend any payment of final dividend to shareholders for the year ended 31 March 2010 (for the year ended 31 March 2009: Nil).

### **OTHER EVENTS**

#### **Employees and Remuneration Policy**

As at 31 March 2010, the Group had a total of 46 employees (2009: 2,608) 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. There was no option outstanding as at 31 March 2010.

#### **Material Acquisition and Disposal**

The Group did not have any material acquisition and disposal for the year ended 31 March 2010.

#### **Connected Transaction**

The connected transaction involving the disposal of Group Idea International Limited was completed on 6 April 2009. Other than this, the Group did not conduct any connected transaction for the year ended 31 March 2010.

#### **Significant Investment**

The Group did not hold any significant investment for the year ended 31 March 2010.

## LITIGATIONS AND CONTINGENT LIABILITIES

### The Group and the Company

- (a) 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 of Hong Kong (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 Capital Limited ("Mega Wealth") and Webright Limited ("Webright") in connection with the Agreement, for, inter alia, rescission of the Agreement (the "Statement of Claim"). 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.

Up to the date of approval of these financial statements, no judgment has been made by the High Court. The board of directors of the Company, based on legal advices, the Company has a good arguable case against Mr. Hung to have the Agreement rescinded. The board of directors 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) On 22 January 2010, the High Court granted an ex parte injunction order (the “Injunction Order”) against Mr. Hung and Mega Wealth and Webright. 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 has paid HK\$10,000,000 funded from a substantial Shareholder 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 Mr. Hung and his companies Mega Wealth and Webright. 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. The board of directors of the Company takes the view that the costs order nisi currently has no material impact on the Group's finances and will make further announcements as and when appropriate.

- (c) 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. The board of directors 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. The Alleged Indebtedness was fully recognized in the Group's financial statements as at 31 March 2010. 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 directors 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.

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. In response to Mr. Hung's request, the Company and Mr. Hung, through their lawyers, have fixed with the Court a hearing date for the Application on 9 November 2010. The board of directors of the Company is of the view that the Application has no merits and will fail. The Company has already retained solicitors and counsel to oppose the Application.

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

- (d) On 30 April 2010, Mr. Hung commenced proceedings in the Labour Tribunal against the Company for, inter alia, reimbursement of expenses incurred by Mr. Hung whilst he was in the employment as consultant/assistant to chairman of the Company in the sum of approximately HK\$1,041,000 (the "Labour Tribunal Claim"). Pursuant to an order dated 28 June 2010, the Labour Tribunal Claim was ordered to be transferred to the High Court. On 14 July 2010, the Company received a notice from the High Court that a hearing will be held on 1 September 2010. The board of directors of the Company, based on legal advises, is of the view that the Company has good arguable defence against the Labour Tribunal Claim.
- (e) 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, a wholly owned subsidiary of the Group for payment of a sum of approximately HK\$347,000, being the amount allegedly owned 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 approximately HK\$46,000 being compensation for unauthorized absence from work and outstanding telephone bills. The board of directors of the Company, based on legal advises, 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.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed above and elsewhere in this announcement, the Group has the following events occurred subsequent to the end of the reporting period:

- (i) On 2 April 2010, the Jingbao second brigade of Xiangfang Branch Police Station (the “Branch Police Station”) in Harbin City of Heilongjiang Province, China issued a notice (the “Notice”) to the Mine Seller, which states that the company seal of the Mine Seller used in the execution of the Extension Agreement filed with the Approval Office for Foreign Capital under the Department of Business of Heilongjiang Province by the Subsidiary is forged. The Notice also states that the Branch Police Station would further investigate the suspected forgery of company seal by Mr. Hung Chen Richael, the former director of the Subsidiary. The Company is arranging for authentication of the Notice and is seeking legal advice from its lawyers. For details, please refer to the Company’s announcement dated 21 July 2010.

## **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 year.

## **AUDIT COMMITTEE**

The audit committee of the Company (“Audit Committee”) comprises the three independent non-executive directors of the Company, chaired by Mr. Tang Ping Sum and the other two members are Mr. Cheng Wing Keung, Raymond and Mr. Lu Xin. The Audit Committee has reviewed and discussed with the Company’s management the annual results of the Group for the year ended 31 March 2010.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting (“AGM”) of shareholders of the Company will be held upon despatch of the Annual Report. The notice of AGM will be published and despatched to the shareholders in due course.

## **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Board proposes to amend the Articles of Association to bring it in line with the Code on Corporate Governance Practices and the provisions under the Listing Rules and is subject to the approval of the shareholders by way of a special resolution at the AGM.

The proposed amendment to the Articles of Association is set out below:

**Article 86(3)**

The original Article 86(3) which provides:

“The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.”

is proposed to be replaced in its entirety by the following:

“The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.”

A circular containing details of the proposed amendments to the Articles of Association, together with the notice of AGM, will be despatched to the shareholders in due course.

**PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The Company’s results announcement for the year ended 31 March 2010 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 Annual Report 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, 23 July 2010

*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. Sun Wei, and the independent non-executive directors of the Company are Mr. Tang Ping Sum, Mr. Cheng Wing Keung Raymond and Mr. Lu Xin.*