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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 2012

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 2012 together with the comparative figures of year 2011 as follows:–

* *for identification only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Turnover	5	136,648	82,368
Cost of sales		(119,494)	(68,612)
Gross profit		17,154	13,756
Other revenue	5	3,630	1,450
Other income	6	5,290	2,668
Other operating expenses		(49,942)	(38,110)
Fair value gain on derivative financial liabilities		567	–
Fair value loss on derivative financial assets		(1,673)	–
Gain on disposal of subsidiaries		9	991
Loss from operating activities	6	(24,965)	(19,245)
Finance costs	7	(15,873)	(18,167)
Loss before tax		(40,838)	(37,412)
Taxation	8	2,462	2,228
Loss for the year		(38,376)	(35,184)
Other comprehensive income/(loss), net of tax			
Exchange differences on translating foreign operations		242	(46)
Total comprehensive loss for the year, net of tax		(38,134)	(35,230)

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss attributable to:			
Owners of the Company		(34,145)	(34,458)
Non-controlling interests		(4,231)	(726)
		<u>(38,376)</u>	<u>(35,184)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(33,915)	(34,504)
Non-controlling interests		(4,219)	(726)
		<u>(38,134)</u>	<u>(35,230)</u>
Loss per share attributable to owners			
of the Company	10		
– Basic		<u>(3) cents</u>	<u>(3) cents</u>
– Diluted		<u>(3) cents</u>	<u>(3) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment		4,595	2,792
Intangible assets		–	–
Goodwill		71,689	1,700
Derivative financial assets		17,924	–
Available-for-sale financial assets		1	–
		<hr/> 94,209	<hr/> 4,492
Current assets			
Trade receivables	11	71,212	22
Deposits, prepayments and other receivables	12	61,532	25,980
Amount due from a director		34	78
Deposits with banks		10,786	69,159
Cash and cash equivalents		5,030	21,220
		<hr/> 148,594	<hr/> 116,459
Less: Current liabilities			
Trade payables	13	69,426	–
Accrued liabilities and other payables	14	193,387	169,952
Amounts due to shareholders	15	16,670	14,478
Derivative financial liabilities		4,159	–
Borrowings		18,414	33,872
Obligations under finance leases		462	–
Deposits received in advance		–	16,587
Convertible notes		157,014	–
Deferred tax liabilities		2,720	–
		<hr/> 462,252	<hr/> 234,889
Net current liabilities		<hr/> (313,658)	<hr/> (118,430)
Total assets less current liabilities		<hr/> (219,449)	<hr/> (113,938)

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Less: Non-current liabilities			
Convertible notes		–	142,094
Deferred tax liabilities		–	5,182
Obligations under finance leases		<u>477</u>	<u>–</u>
		<u>477</u>	<u>147,276</u>
Net liabilities		<u>(219,926)</u>	<u>(261,214)</u>
Equity attributable to owners of the Company			
Share capital		16,365	13,365
Reserves		<u>(233,064)</u>	<u>(272,219)</u>
		(216,699)	(258,854)
Non-controlling interests		<u>(3,227)</u>	<u>(2,360)</u>
Total equity		<u>(219,926)</u>	<u>(261,214)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 exhibitions and trade shows with related ancillary services as well as investing in unconventional gas business and coal trading business.

The consolidated 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”)

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued certain new and revised standards, amendments and interpretations (“new HKFRSs”) that are mandatory for accounting periods beginning on or after 1 April 2011. The new HKFRSs adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments has been required.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ⁵
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 1 (Amendments)	Government Loans ⁴
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Transfers of Financial Assets ¹
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁶
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statement ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39. The application of the standard is unlikely to have any material financial impact on the Group.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared

with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC) – Int 12. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other HKFRSs. The Group expects to adopt the standard from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 1 (Amendments) change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013. The amendments affect presentation only and have no impact on the Group's financial position or performance.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated 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 consolidated 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 consolidated 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 loss of approximately HK\$38,376,000 for the year ended 31 March 2012 (2011: HK\$35,184,000), the Group’s net current liabilities and net liabilities of approximately HK\$313,658,000 (2011: HK\$118,430,000) and HK\$219,926,000 (2011: HK\$261,214,000) at 31 March 2012 respectively. In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group’s liquidity and cash flows in the near foreseeable future, and to sustain the Group as a going concern, the Company has entered into a loan facility agreement of up to HK\$20,000,000 with ACE Channel Limited, beneficially owned by Mr. Gao Feng, a director and the substantial shareholder of the Company. The Company has already drawn down a total amount of approximately HK\$1,300,000 as at 31 March 2012.

On 18 June 2012, the Company signed a subscription agreement with Growing Around Holdings Limited to issue a convertible notes (the “CNs”) with a principal amount of HK\$15,000,000. The coupon rate of the CN is 12% per annum and expired on the second anniversary of the issue date. The Stock Exchange has already approved the issuance of CNs on 27 June 2012. The estimated net proceeds from the issue of the CNs will be used for (i) financing the capital commitment in connection with the acquisition of Hubei Tiegang Trading Company Limited; and (ii) the Group’s general working capital purpose.

Moreover, the substantial shareholders of the Company have agreed to provide continuing financial support to the Group.

In the opinion of the directors, after taking into account of the above procedures, the Group will have sufficient working capital for its current requirement. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group organised into three operating divisions: trade shows and exhibition operation, unconventional gas business and coal trading business. These divisions are the basis on which the Group reports its segment information.

The three operating and reportable segments under HKFRS 8 are as follows:

Trade shows and exhibition operation	Trade shows and exhibition operation and providing ancillary services in Hong Kong and the United Kingdom
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

Segment revenues and results

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

2012

	Trade shows and exhibition operation <i>HK\$'000</i>	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
Turnover from external customers	<u>69,480</u>	<u>-</u>	<u>67,168</u>	<u>136,648</u>
Result				
Segment profit/(loss)	<u>9,788</u>	<u>(8,859)</u>	<u>534</u>	1,463
Unallocated income				8,197
Unallocated corporate expenses				(33,528)
Fair value gain on derivative financial liabilities	-	-	567	567
Fair value loss on derivative financial assets	-	-	(1,673)	(1,673)
Gain on disposal of a subsidiary	-	-	-	9
Finance costs				<u>(15,873)</u>
Loss before tax				(40,838)
Taxation				<u>2,462</u>
Loss for the year				<u>(38,376)</u>

2011

	Trade shows and exhibition operation <i>HK\$'000</i>	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
Turnover from external customers	82,368	–	–	82,368
Result				
Segment profit/(loss)	11,359	(1,485)	–	9,874
Unallocated income				242
Unallocated corporate expenses				(21,986)
Gain on disposal of subsidiaries	991	–	–	991
Share-based payment				(8,366)
Finance costs				(18,167)
Loss before tax				(37,412)
Taxation				2,228
Loss for the year				(35,184)

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2011: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) generated by each segment without allocation of corporate expenses, fair value gain on derivative financial liabilities, fair value loss on derivative financial assets, gain on disposal of subsidiaries, share-based payment expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

2012

	Trade shows and exhibition operation <i>HK\$'000</i>	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	2,459	20,210	188,818	211,487
Unallocated corporate assets				31,316
				<u>242,803</u>
Liabilities				
Segment liabilities	11,478	708	95,779	107,965
Unallocated corporate liabilities				354,764
				<u>462,729</u>

2011

	Trade shows and exhibition operation <i>HK\$'000</i>	Unconventional gas business <i>HK\$'000</i>	Coal trading business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	4,953	15,679	–	20,632
Unallocated corporate assets				100,319
				<u>120,951</u>
Liabilities				
Segment liabilities	23,440	496	–	23,936
Unallocated corporate liabilities				358,229
				<u>382,165</u>

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 derivative financial assets are allocated to reportable segments; and
- all liabilities are allocated to reportable segments other than corporate liabilities, amounts due to shareholders, obligations under finance leases, convertible notes and deferred tax liabilities.

Other segment information

	Depreciation and amortisation		Additions to non-current assets*	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade shows and exhibition operation	7	69	–	–
Unconventional gas business	83	14	1,297	4
Coal trading business	5	–	11	–
Unallocated	567	346	2,553	931
	<u>662</u>	<u>429</u>	<u>3,861</u>	<u>935</u>

* Additions to non-current assets excluding goodwill, derivative financial assets and available-for-sale financial assets.

Geographical information

The Company is domiciled in Hong Kong. The Group's operations are mainly located in Hong Kong and the PRC for the year ended 2012. The Group's operations are mainly located in Hong Kong and the United Kingdom for the year ended 31 March 2011. 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	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	69,480	75,925
UK	–	6,443
The PRC	67,168	–
	<u>136,648</u>	<u>82,368</u>

The following is an analysis of the carrying amount of non-current assets (excluding derivative 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	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	3,252	2,778
The PRC	73,032	1,714
	<u>76,284</u>	<u>4,492</u>

Information about major customers

For the year ended 31 March 2012, included in revenues arising from trade show and exhibition operation of HK\$69,480,000 (2011: HK\$82,368,000) are revenues of approximately HK\$36,881,000 (2011: HK\$10,607,000) and included in revenue arising from coal trading business of approximately HK\$67,168,000 (2011: HK\$ Nil) are revenues of approximately HK\$65,897,000 (2011: HK\$ Nil) which arose from the Group's largest three (2011: one) customers.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Customer A	49,240	–
Customer B	36,881	10,607
Customer C	16,657	–
Others	33,870	71,761
	<u>136,648</u>	<u>82,368</u>

5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of participation fee income, hotel and travel package income, advertising fee income and coal sale.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover		
Participation fee income	69,445	77,398
Hotel and travel package income	–	4,392
Advertising fee income	35	578
Coal sale	67,168	–
	<u>136,648</u>	<u>82,368</u>
Other revenue		
Bank interest income	144	281
Forfeited deposits received	240	479
Refund of legal and professional fee	2,799	–
Sundry income	447	690
	<u>3,630</u>	<u>1,450</u>
Total revenue	<u>140,278</u>	<u>83,818</u>

6. LOSS FROM OPERATING ACTIVITIES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The Group's loss from operating activities is arrived at after charging:		
Cost of inventory sold	66,003	–
Depreciation of property, plant and equipment	662	429
Loss on disposal of property plant and equipment	340	–
Loss on written off of property, plant and equipment	297	55
	<hr/>	<hr/>
Staff costs (including directors' remuneration)		
– wages and salaries	24,931	15,626
– share-based payment	–	8,366
– retirement benefits scheme contributions	330	606
	<hr/>	<hr/>
	25,261	24,598
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration		
– current year	630	630
– under-provision in previous year	16	–
	<hr/>	<hr/>
	646	630
	<hr/> <hr/>	<hr/> <hr/>
Minimum lease payments under operating lease rentals of office premises	2,190	2,484
	<hr/> <hr/>	<hr/> <hr/>
and after crediting:		
Other income:		
Exchange differences, net	–	76
Reversal of other payables	5,290	2,592
	<hr/>	<hr/>
	5,290	2,668
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interests on borrowings wholly repayable within five years	32	2,520
Interests on obligations under finance leases wholly repayable within five years	29	–
Interests on amounts due to shareholders wholly repayable within five years	892	2,145
Imputed interest expense on convertible notes	14,920	13,502
	<hr/>	<hr/>
	15,873	18,167
	<hr/> <hr/>	<hr/> <hr/>

8. TAXATION

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprises Income Tax	–	–
– Overseas Income Tax	–	–
	<hr/>	<hr/>
	–	–
Deferred tax	(2,462)	(2,228)
	<hr/>	<hr/>
Total credit for the year	<u>(2,462)</u>	<u>(2,228)</u>

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Under the Law of the PRC on Enterprises 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.

Taxation on overseas profits are calculated on the estimated assessable profit for the year at the rate of taxation prevailing in the countries in which the Group operates.

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2012 (2011: 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 year attributable to owners of the Company of approximately HK\$34,145,000 (2011: HK\$34,458,000) and the weighted average number of ordinary shares in issue during the year is 1,351,766,302 (2011: 1,144,892,652).

Diluted loss per share for the years ended 31 March 2012 and 2011 were the same as the basic loss per share. The Company’s outstanding consideration shares, 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 consideration shares, warrants, convertible notes and share options were anti-dilutive.

11. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 to 30 days	59,180	–
31 to 60 days	10,096	4
61 to 90 days	–	18
91 to 180 days	–	–
Over 180 days	1,936	–
	<hr/>	<hr/>
Total	<u>71,212</u>	<u>22</u>

According to the credit rating of different customers, the Group allows a range of credit periods not exceeding 180 days to its trade customers. Trade receivables are all denominated in RMB.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	19,216	8,997
Prepayments	11,994	6,365
Other receivables	30,322	10,618
	<u>61,532</u>	<u>25,980</u>

As at 31 March 2012, included in other receivables, approximately HK\$10,000,000 (2011: HK\$10,000,000) was the deposits previously paid into the High Court of Hong Kong (the "High Court") for an injunction order.

13. TRADE PAYABLES

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	55,916	–
31 to 60 days	–	–
61 to 90 days	–	–
91 to 180 days	2,769	–
Over 180 days	10,741	–
	<u>69,426</u>	<u>–</u>

The average credit period on purchases of certain goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. ACCRUED LIABILITIES AND OTHER PAYABLES

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued liabilities	177,123	162,015
Other payables	15,896	7,937
Amount due to a related company	368	–
	<u>193,387</u>	<u>169,952</u>

Included in accrued liabilities of HK\$158,600,000 (2011: HK\$158,600,000) was consideration payables for acquisition of Wealth Gain Global Investment Limited ("Wealth Gain"). 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 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 2012, amount due to a related company, which has a common director with the Company, was approximately HK\$368,000 (2011: Nil). The amount due is unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE TO SHAREHOLDERS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Amount due to Hung Chen, Richael (“Mr. Hung”) (<i>Note i</i>)	15,358	14,478
Amount due to ACE Channel Limited (<i>Note ii</i>)	1,312	–
	<u>16,670</u>	<u>14,478</u>

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 advance is unsecured, non-interest bearing and repayable on demand.
- (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. The Company has already drawn down a total amount of HK\$1,300,000 as at 31 March 2012.

EXTRACTED FROM INDEPENDENT AUDITORS’ REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group’s loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 3(a) in the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$38,376,000 during the year ended 31 March 2012 and, as of that date, the Group had net current liabilities of approximately HK\$313,658,000 and net liabilities of

approximately HK\$219,926,000. These conditions, along with other matters as set forth in Note 3(a) in the consolidated financial statements, indicate the existence of a material uncertainty that 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") will continue to focus its business on the resources and energy related sector as well as on being the sales agent of exhibitions, trade fairs and provision of ancillary service.

1. Coal Trading Business

The Group entered into a Sale and Purchase Agreement on 8 August 2011, pursuant to which the Group proposed to acquire the entire issued share capital of Wealthy Wing Limited ("Wealthy Wing"), together with Western Spark Investments Limited and Heilongjiang Derong Coal Industrial Co., Ltd. ("Derong") (the "Wealthy Wing Group"), which in turn, owns 55% of Derong. Derong is principally engaged in trading of coal in Northeast and Northwest region of PRC, which has entered into a strategic cooperation agreement with a PRC business partner who will coordinate and assist in the sale of coal from Derong. The acquisition was completed on 30 November 2011.

On 31 March 2012, the Company entered into a Sale and Purchase Agreement in relation to the acquisition of Hubei Tiegang Trading Company Limited ("Tiegang") ("Tiegang Acquisition"). Tiegang is principally engaged in coal trading and transportation business in the Northwest region of the PRC, its business shall create synergy to Derong's coal trading business and enhance the Group's geographical coverage. The long stop date for Tiegang Acquisition has been extended to 30 June 2012 but completion shall take place within a short period of time in the next financial year.

The distribution of consideration shares issued under the Derong acquisition is subject to a Consideration Adjustment mechanism based on Derong's results throughout the three years ending 31 December 2013. As detailed in the Company's announcement dated 5 April 2012, due to the delay in completion of acquisition and injection of RMB4,400,000 (equivalent to HK\$5,500,000) initial capital, Derong's results for the period from the completion date (i.e. 30 November 2011) up to 31 December 2011 ("First Year") was far less than the First Year Consideration Adjustment of RMB15,000,000. To save administrative cost, it has been agreed that no consideration share will be delivered to the vendor for the First Year and the First Year Consideration Adjustment will be rolled over to next year.

The Board considers that the Group's coal trading business segment shall become the main source of revenue for the Group in the next financial year.

With the Derong and Tiegang Acquisitions, the Group will be able to participate in the fast-growing coal trading industry in the PRC, which provides a solid platform for the Group's further business development in the energy and resources sector.

2. Exhibition Business

During the year, the Group acted as show manager of the "Mega Shows Part 1 & 2" held in October 2011 successfully. However, the London Asia Expo was temporarily terminated from this year.

The performance of the Group's exhibition business is deteriorated for the year ended 31 March 2012 due to lower profit margin and intense competition. Revenue from exhibition business dropped from HK\$82,368,000 to HK\$69,480,000 whilst segment results for exhibition business reduced from HK\$11,359,000 to HK\$9,788,000 comparing to the last financial year ended 31 March 2011.

The Master Project Management Agreement with Group Idea International Limited ("Group Idea") was expired on 5 April 2012. On the same date, the Company (through its subsidiary) entered into a sales agency agreement ("Agency Agreement") with Kenfair Exhibition (Hong Kong) Limited ("Kenfair Exhibition (HK)") in replacement of renewal of the Master Project Management Agreement, pursuant to which Kenfair Exhibition (HK) will be the show manager for all exhibitions and trade shows organised by Group Idea.

Pursuant to the Agency Agreement, the Company will act as the sales agent for Kenfair Exhibition (HK) to (i) identify and introduce potential exhibitors for Mega Shows to be held in October 2012; (ii) provide all marketing and promotions in respect of the Mega Shows at its own expenses; and (iii) follow up on all matters concerning the exhibitors. The Company receives from Kenfair Exhibition (HK) 15% commission fee on the revenue of every booth secured by the Company.

The Board intends to further streamline the exhibition business and reallocate its resources onto energy and resources related businesses.

3. Unconventional Gas Business

The Group has close collaboration with Heilongjiang CG Bureau in connection with its unconventional gas business.

The Group (through its subsidiary) and Heilongjiang CG Bureau entered into a service contract on 5 June 2011, pursuant to which the Group will provide coalbed methane ("CBM") stimulation technology consulting and operation services. On 8 July 2011, both parties proudly pronounced the grand opening of the Heilongjiang

Unconventional Gas R&D Centre (the “Centre”) in Harbin, which has further strengthened the strategic cooperation between the parties in the exploration and development of unconventional gas in the PRC.

Heilongjiang CG Bureau has been conducting CBM exploration work in cities including Hegang (鶴崗), Jixi (雞西) and Yilan (依蘭) within the Heilongjiang Province; well drilling, completion and other testing work are in progress. The estimated CBM resources are huge in these cities, which is approximately 34.7 billion m³ for Hegang, 79.9 billion m³ for Jixi and 9.3 billion m³ for Yilan regarding CBM resources within 2,000m underground. The Group expects to commence stimulation work once the specialized equipments are transported to the PRC and installed at the sites.

4. Discontinued Projects

Regarding the brown coal upgrading project of which the Subscription Agreement was signed on 14 June 2011, the Group has not further extended the long stop date of this acquisition and the Subscription Agreement lapsed on 31 December 2011.

In relation to the memorandum of understanding dated 2 December 2011 (“MOU”) entered into for the proposed acquisition of Baiyin Xinhua Cement Company Limited, upon negotiations on the terms and conditions of the acquisition, the Company has decided not to proceed with the acquisition and has mutually agreed with all other parties to terminate the MOU effective from 2 April 2012.

Notwithstanding the above, the Company would continue exploring suitable investment opportunities in the energy and resources sectors.

5. Litigation of the Group and the Company in Hong Kong

Detail of the litigation of the Group and the Company as at 31 March 2012, please refer to “Litigations and Contingent Liabilities” below.

RESULTS ANALYSIS

For the year ended 31 March 2012, the Group recorded turnover of HK\$136,648,000 (2011: HK\$82,368,000), representing an increase of 65.9% over last year. It is arisen from trade shows and exhibition operation of HK\$69,480,000 (2011: HK\$82,368,000) and coal trading business of HK\$67,168,000 (2011: HK\$ Nil). The increase in turnover was mainly due to the acquisition of Wealthy Wing Group and contributed the coal sale revenue to the Group, which represents 49.2% of total turnover, from the date of completion (i.e. 30 November 2011) to 31 March 2012. This is a new business segment shall become the main source of revenue for the Group in the future.

For the year ended 31 March 2012, the Group recorded a loss attributable to shareholders of approximately HK\$34,145,000 (2011: HK\$34,458,000); basic loss per share was approximately HK\$3 cents (2011: HK\$3 cents). This has included some non-cash items: (i) imputed interest expense of HK\$14,920,000 (2011: HK\$13,502,000) on

convertible notes under finance costs; (ii) fair value loss on derivative financial assets of HK\$1,673,000 (2011: HK\$Nil) and fair value gain on derivative financial liabilities of HK\$567,000 (2011: HK\$Nil) in relation to the acquisition of Wealthy Wing Group; and (iii) fair value on share-based payment of HK\$Nil (2011: HK\$8,366,000).

PROSPECT AND OUTLOOK

Despite the European debt crisis and uncertainties of global economic development, the Group will use its best endeavors to improve its operating results in the next financial year. While the Group will continue adopting cost reduction strategies to improve its operating margin, it will also keep redirecting its business focus to energy and resources related businesses which are of higher growth potentials.

The Group will continue to explore investment opportunities in the resources and energy related sector to achieve inorganic growth, on top of its existing unconventional gas and coal trading business platform.

FINANCIAL REVIEW

Capital Structure

On 28 September 2011, the Company has successfully placed 30,000,000 shares of HK\$0.01 each at a placing price of HK\$0.36 for a total consideration, before expenses, of HK\$10,800,000. At the same date, the Company issued 230,000,000 unlisted warrants at an issue price of HK\$0.01 per warrant. The total consideration of warrants received, before expenses, approximately HK\$2,300,000. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each at a subscription price of HK\$0.39 per share, payable in cash and subject to adjustment from the date of issue of the warrants to the expiry, which is 36 months from the issue of the warrants.

Without taking into account the exercise of the subscription rights attaching to the warrants, the gross proceeds from the placement of shares and warrants are approximately HK\$13,100,000. Approximately HK\$5,500,000 is used as initial capital injection to Derong and the remaining proceeds will be utilised by the Group as its general working capital.

Liquidity, Financial Resources and Capital Structure

The Group derived its working capital mainly from internal cash flow from operating activities, share and warrants placement and shareholder's loan.

As at 31 March 2012, deficit on shareholders' funds of the Group aggregately amounted to HK\$219,926,000 (2011: HK\$261,214,000). As at 31 March 2012, the Group's assets-liabilities ratio (total liabilities to total assets) was approximately 1.91 times (2011: 3.16 times). Net current liabilities of the Group amounted to approximately HK\$313,658,000 (2011: HK\$118,430,000). Current assets of the Group was approximately HK\$148,594,000 (2011: HK\$116,459,000), of which fixed deposits, cash and bank

balances amounted to approximately HK\$15,816,000 (2011: HK\$90,379,000). The following items with an aggregate amount of HK\$333,692,000 (2011: HK\$320,354,000), which are included in current liabilities and non-current liabilities, are related to the legal proceedings with Mr. Hung in the High Court: (i) HK\$158,600,000 (2011: HK\$158,600,000) was consideration payable for the acquisition of Wealth Gain Global Investment Limited and its subsidiary; (ii) HK\$15,358,000 (2011: HK\$14,478,000) was the shareholder's loan plus interest from Mr. Hung; and (iii) convertible notes of HK\$157,014,000 (2011: HK\$142,094,000 under non-current liabilities), and respective deferred tax liabilities of HK\$2,720,000 (2011: HK\$5,182,000 under non-current liabilities). The Board considers that the liquidity of the Group is good enough for the year ended 31 March 2012 and the Group would be turned to net assets position to HK\$113,766,000 (2011: HK\$59,140,000) if removal of (i) to (iii).

As at 31 March 2012, the Group's gearing ratio (total debts to total equity) was 89.7% (2011: 72.9%).

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 when necessary.

Dividend

The Board of the Company does not recommend any payment of final dividend to shareholders for the year ended 31 March 2012 (2011: Nil).

OTHER EVENTS

Employees and Remuneration Policy

As at 31 March 2012, the Group had a total of 53 employees (2011: 38) 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 adopted a new share option scheme on 8 October 2010, with options to be granted to employees at the discretion of the Board. Except 1,300,000 share options were lapsed, 58,700,000 share options are remained outstanding as at 31 March 2012.

Material Acquisition and Disposal

On 30 November 2011, the Company duly completed the acquisition of the entire issued share capital of Wealthy Wing, which in turn, owns 55% of Derong at a consideration of HK\$69,929,000. Derong is principally engaged in trading of coal in Northeast and Northwest region of the PRC.

The Group did not have material disposal for the year ended 31 March 2012.

Significant Investment

The Group did not hold any significant investment for the year ended 31 March 2012.

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.

Up to the date of approval of these consolidated 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. 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) Claim made by Hung against the Company

On 25 February 2011, Mr. Hung, Mega Wealth and Webright Limited (together as the "Plaintiffs") issued a Writ of Summons and an Indorsement of Claim against the Company as the 1st Defendant, Ms. Geng Ying as 2nd Defendant, Mr. Gao Feng as 3rd Defendant and Mr. Chiu Sui Keung as 4th Defendant, in the High Court (the "Claim"). The Plaintiffs issued and served on the Company a Writ with only an Indorsement of Claim without a full Statement of Claim. On 15 April 2011, the Plaintiffs filed and served on the Company a Statement of Claim.

Particulars of the Claim are summarised as follows:–

The Plaintiffs' claim against the Company for:–

1. the sum of HK\$214,600,000 being the unpaid sale shares consideration for the acquisition of Wealth Gain;
2. damages for the breach of agreements;
3. damages for placement of shares to the prejudice of Hung estimated to be HK\$124,600,000 or alternatively;
4. redemption in full value of the remaining Convertible Note issued by the Company to Mr. Hung in the sum of HK\$173,500,000;
5. damages in reputation;
6. declaration that the grant of share options of 39,000,000 shares and awards to the Ms. Geng Ying, Mr. Gao Feng and Mr. Chiu Sui Keung and the other share options of 21,000,000 shares awarded to other staff to be null and void;

7. rescission of the abovesaid grant;
8. costs;
9. interests; and
10. further and other relief as the Court may deem fit.

The Plaintiffs claim against Ms. Geng Ying for:

1. damages;
2. order that Ms. Geng Ying be removed from her directorship;
3. damages in reputation;
4. declaration that the grant of the share options 13,000,000 shares and awards to Ms.Geng Ying be null and void;
5. rescission of the abovesaid grant;
6. costs;
7. further and other relief as the Court may deem fit.

The Plaintiffs claim against Mr. Gao Feng for:

1. damages;
2. damages in reputation;
3. Order that Mr. Gao Feng be removed from his directorship;
4. declaration that the grant of the share options 13,000,000 shares and awards to Mr. Gao Feng be null and void;
5. rescission of the abovesaid grant;
6. costs;
7. further and other relief as the Court may deem fit.

The Plaintiffs claim against Mr. Chiu Sui Keung for:

1. damages;
2. damages in reputation;
3. Order that Mr. Chiu Sui Keung be removed from his directorship;
4. declaration that the grant of the share options 13,000,000 shares and awards to Mr. Chiu Sui Keung be null and void;
5. rescission of the abovesaid grant;
6. costs;
7. further and other relief as the Court may deem fit.

The Company, Ms. Geng Ying, Mr. Gao Feng and Mr. Chiu Sui Keung together issued a summons (the “First Summons”) against the Plaintiffs in the High Court on 13 May 2011 in connection with an application, amongst other things, to:

1. strike out paragraphs 2, 4 to 13, and 16 to 33 of the Statement of Claim as –
 - (a) disclosing no reasonable cause of action;
 - (b) being scandalous, frivolous or vexatious;
 - (c) tending to prejudice, embarrass or delay the fair trial of the action; and/
or
 - (d) it is otherwise an abuse of the process of the court;and that the action therein be dismissed; and
2. alternatively, paragraphs 2, 4 to 13, and 16 to 33 of the Statement of Claim and the action therein be stayed pending the final determination or disposal by the Court of the HCA 2477/2009 and HCCW 48/2010.

The Defendants also issued a summons (the “Second Summons”) against the Plaintiffs on 13 May 2011 in connection with an application for, inter alia, an order that pending the hearing and determination of the First Summons taken out by the Defendants, all further proceedings in this action be stayed and the Defendants are not required to file and serve their Defence until further order or directions as may be made by the Court.

The Court on 20 May 2011 made the following Order in relation to the First Summons:

1. Leave be granted to the Defendants to file and serve supplemental affirmation(s) to the Summons taken out by the Defendants on 13 May 2011 (the “Defendants’ Striking-out Summons”) on or before 10 June 2011;
2. Leave be granted to the Plaintiffs to file and serve affirmation(s) in opposition to the Defendants’ Striking-Out Summons on or before 8 July 2011;
3. Leave be granted to the Defendants to file and serve affirmation(s) in reply (if any) to the Defendants’ Striking-Out Summons on or before 29 July 2011;
4. There be no further affirmation to be filed or served without leave of the Court;
5. Any application for leave for filing and serving further affirmation evidence shall be made no less than 14 days before the substantive hearing;
6. The hearing of the Defendants’ Striking-Out Summons be adjourned and fixed before a judge in consultation with Counsel’s diary with one day reserved;
7. Costs of this application be reserved.

The First Summons scheduled to be heard on 22 March 2012 at 10:00 a.m. before the Honourable Mr. Justice A. Chung.

The Court made the following Order in relation to the Second Summons on 20 May 2011:

1. Pending the hearing and determination of the Defendants’ Striking-out Summons, all further proceedings in the action therein be stayed and the Defendants are not required to file and serve their Defence until further order or directions as may be made by the Court;
2. The costs of the application be in the cause of the Defendants’ Striking-out Summons.

On 2 February 2012, the Plaintiffs filed a Notice of Discontinuance in court to wholly discontinue the claim and that the cost of this action be paid by the Plaintiffs to be taxed if not agreed. The Company instructed its lawyers to claim against the Plaintiffs for the legal costs that it has incurred HK\$500,000 have been finally received by the Company in respect of the claim. The case is now closed.

(g) Litigation between Mr. Wong Ching Ping Alex and the Company

Mr. Wong Ching Ping Alex (“Mr. Wong”) issued a writ of summons and an indorsement of claim dated 10 December 2010 against the Company in connection with an assignment of debt on 19 July 2010, whereby Mr. Hung allegedly assigned to Mr. Wong a loan of HK\$31,500,000 (forming part of the Alleged Indebtedness) previously advanced by Mr. Hung to the Company (“Wong’s Action”).

Mr. Wong further applied for an ex parte injunction order against the Company which, amongst other things, restricted the Company from removing from Hong Kong, disposing of, dealing with or diminishing the value of any of its assets which are within Hong Kong up to the value of HK\$31,500,000. This injunction was granted by the High Court on 9 December 2010, but was subsequently discharged on 16 December 2010 on the undertaking of the Company (the “Undertaking”) to:

- (1) without prejudice to the Company’s contention that it has a defence to the claim by Mr. Wong and without prejudice to Mr. Wong’s right to challenge the Company’s case that there has been partial repayment, deposit the sum of HK\$28,500,000 (the “Sum”) into a designated interest-bearing bank account opened in the name of the Company (the “HCA Designated Account”) as security for the money claimed by the Mr. Wong by 21 December 2010, and not in any way use or pledge for credit (whether for the Company or any person) or allow any lien to be created on the monies so deposited in the HCA Designated Account until further order made by the High Court or unless in accordance with the agreement in writing between Mr. Wong and the Company;
- (2) provide full bank statements (without any redaction) relating to the HCA Designated Account within 3 working days of the written request of Mr. Wong.

The Sum was deposited into the HCA Designated Account on 21 December 2010. This payment was financed by the Company’s internal funding.

The High Court further ordered on 16 December 2010 that the application filed by Mr. Wong on 14 December 2010 for the continuation of the injunction order was to be effectively treated as an application for an order that the Sum deposited into the HCA Designated Account be continued to be kept, held and preserved pursuant to the Company’s undertakings, until the final determination by the High Court of the Wong’s Action.

Mr. Wong issued a summons against the Company in the High Court of Hong Kong under the Claim on 27 April 2011 (the “Order 14 Summons”) in connection with an application for summary judgment for the sum of HK\$28,500,000, being the amount claimed in the statement of claim filed on 14 April 2011 less the alleged partial repayment of HK\$3,000,000 made by the Company to Mr. Hung, together with interest and costs.

On 5 May 2011, after hearing the Counsel for Mr. Wong and the Solicitors for the Company, the Court made the following Order:

1. The hearing of the Plaintiff's Summons for the continuation of the Defendant's undertaking fixed for 9 May 2011 at 10 a.m. (the "Undertaking Summons") be vacated;
2. The hearing of the Order 14 Summons be adjourned and fixed on a date not earlier than the expiry of 49 days from 5 May 2011 with one day reserved in consultation with Counsel's diary;
3. The hearing of the Undertaking Summons be adjourned to such time immediately after the hearing of the Order 14 Summons;
4. Leave be granted to the Defendant to file and serve affirmation(s) in opposition to the Order 14 Summons within 28 days from 5 May 2011;
5. Leave be granted to the Plaintiff to file and serve affirmation(s) in reply (if any) to the Order 14 Summons within 21 days thereafter;
6. Costs of this application be in the cause of the Order 14 Summons.

The Company obtained written legal opinion on the Claim from its legal advisers and after having considered the legal opinion, the Board passed a resolution to settle the Claim with Mr. Wong. By a Consent Order dated 3 June 2011, the Company reached a settlement of the Claim with Mr. Wong and the Court in the following terms:

1. Mr. Wong warrants and declares that he, whether by himself, his servants or agents or principals does not hold any interest (whether legal or beneficial) or have any dealings in any convertible notes or shares of the Company, either with or acquired from Mr. Hung apart from the assignment of the loan agreement dated 16 July 2009 in the amount of HK\$31,500,000.
2. Upon the giving by Mr. Wong of the above warranty and declaration, the Company do on an entirely without admission of liability basis pay to Mr. Wong the sum of HK\$28,500,000 within 3 business days of the Order in full and final settlement of the Mr. Wong's claims against the Company in the Claim.
3. Upon payment to Mr. Wong of the said sum of HK\$28,500,000, the parties shall jointly apply to the Court for the Claim to be dismissed and shall sign a Consent Order to the same effect.

4. The parties agree for the avoidance of doubt that Mr. Wong's warranty and declaration in paragraph 1 above shall be enforceable and survive the dismissal of the Claim.

Upon the Company and Mr. Wong having agreed to the above terms of settlement, the Court by consent made an order on the 3 June 2011 that :

1. The Undertaking be discharged;
2. This Action be stayed except for the purpose of carrying the Order and the said terms into effect;
3. Liberty to apply; and
4. Each party do pay their own costs of this Action and the Consent Order notwithstanding any previous costs order(s) that state otherwise.

On 8 June 2011, the Company paid the amount of HK\$28,500,000 to Mr. Wong and upon the joint application on the part of the Company and Mr. Wong and by consent the Court is ordered that the Wong's Action be dismissed and no order as to costs. The accrued interest expenses of HK\$5,290,000 arising from the claim has been written back to the Company for the year ended 31 March 2012. The case is now closed.

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

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

Company, Sino Talent and Claimant filed a joint application for an order by consent that: (i) this action be stayed sine die with liberty to restore by either party; and (ii) cost reserved. The Board of the Company, based on legal advices, is of the view that the Group have a good defence to the Claimant's claim and a good chance of success in respect of the respective counterclaims.

(i) Car action between Sino Talent and Mr. Raymond Hung

On 20 August 2010, Sino Talent filed a Statement of Claim at the District Court and claimed against Mr. Raymond Hung for the followings:

1. Possession of vehicle with vehicle identification number WP1ZZZPZ9LA81368 bearing a registration number of NP5059 (“the Vehicle”);
2. Rent for the Vehicle between 11 December 2009 to the date of judgment;
3. Insurance premium for the Vehicle for the period between 11 December 2009 and 12 July 2010;
4. Vehicle licence fee for the Vehicle for the period between 11 December 2009 and the date of judgment or 28 October 2010 being the date of expiry of the current vehicle licence, whenever is earlier;
5. HK\$6,980 being the amount reimbursed to the Defendant for car restoration coupons for the Vehicle;
6. Further or alternatively, damages for tort of conversion of the Vehicle;
7. interest;
8. further and other relief; and
9. costs.

Mr. Raymond Hung filed his Defence and Counterclaim at the District Court on 8 October 2010 denying possession of the Vehicle and claimed damages. Sino Talent filed a Reply and Defence to Counterclaim on 22 October 2010. On 11 January 2011, Mr. Raymond Hung filed an Amended Defence and Counterclaim alleging that the Vehicle was pledged to Mr. Hung and that Mr. Hung is allegedly entitled to possession and use of the Vehicle, Mr. Hung then allowed Mr. Raymond Hung to use the Vehicle.

The parties have exchanged their respective lists of documents and witnesses statements; and the District Court has fixed a Case Management Conference to be heard on 30 June 2011.

On 7 October 2011, the District Court has made an order that the action be set down for trial before a Bilingual Judge in the Fixture List, commencing at 9:30 am on 22 February 2012 in Court No.9, estimated length of trial being 5 days.

Sino Talent filed an application to the District Court by way of ex parte summons on 4 November 2011 (the "Application"). On 5 November 2011, the District Court has granted an injunction ordered that:-

1. Mr. Raymond Hung whether by himself, his servants or agents or otherwise howsoever be restrained from driving, operating and/or using the Vehicle until the final determination of the proceedings.
2. Costs of an occasioned by the Application be costs in the cause.

The District Court further directed that Mr. Raymond Hung shall file and serve his affirmation in opposition within 21 days (i.e. 28 November 2011), Sino Talent shall file an affirmation in reply within the next 21 days (i.e. 19 December 2011).

On 21 February 2012, upon the joint application by way of Consent Summons and order that:

1. The Defendant delivers and the Plaintiff retains possession of the Vehicle (namely Porsche Cayenne Turbo with vehicle identification number M48/1ZZZ9PZ9LA81368 bearing registration number NP 5059) on or before 10 March 2012 subject to the conditions stated in paragraph (2) below;
2. The acceptance of paragraph (1) above is subject to an inspection, restoration and repair (if any) of the Vehicle by the Porsche Centre Hong Kong to be arranged and costs to be paid by the Defendant; and the Defendant shall send to the Plaintiff a certificate that the Vehicle is good and roadworthy on or before 12 March 2012;
3. Upon the satisfaction of paragraphs (1) and (2) above, this action against the Defendant be withdrawn;
4. Trial hearing scheduled on 22 February 2012 at 9:30 a.m. reserved for 5 days (from 23 February 2012 to 28 February 2012) be vacated;
5. Without admitting the validity and authenticity of the Pledge Agreement and without admission of liability on the Defendant's part, the Defendant shall pay to the Plaintiff a sum of HK\$100,000 within seven (7) days of the date of the Consent Summons; and
6. The Defendant do pay the Plaintiff costs of these proceedings (including costs of the Consent Summons) and such costs to be taxed if not agreed.

The vehicle has been returned to Sino Talent on 17 March 2012 and Defendant paid the HK\$100,000 to Sino Talent on 29 February 2012. Sino Talent also prepared the bills of costs and commence taxation proceeding against Mr. Raymond Hung on 22 June 2012. The cost of taxation is claimed for approximately HK\$420,349.80 from Mr. Raymond Hung and HK\$87,201 from Mr. Hung respectively.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and elsewhere in these consolidated financial statements, the Group has the following events occurred subsequent to the end of the reporting period:

- (i) On 31 March 2012, the Company and Advanced Elation Holdings Limited (the “Vendor”) entered into a Sale and Purchase Agreement (the “Agreement”) pursuant to which, among other things, the Vendor has conditionally to sell and the Company conditionally agreed to acquire 70.97% interest in Zhan Sheng Investments Limited (“Zhan Sheng”) at the consideration of HK\$77,550,000 (the “Proposed Acquisition”). Upon completion, Zhan Sheng will become a subsidiary of the Company and will hold the entire share capital of World Grace Enterprises Limited (a private company incorporated in Hong Kong of which the principal business activities is investment holding) (“World Grace”), which will indirectly through Zhui Tiegang Commercial Trading Company (a WOFE to be incorporated and will be a wholly-owned subsidiary of World Grace) (“Zhui Tiegang”) to own 77.50% equity interest in Hubei Tiegang Trading Company Limited (“Hubei Tiegang”). The rest of equity interests of 22.50% of Hubei Tiegang will be held by Mr. Sun Jiandong, an independent third party. As such, Hubei Tiegang will be accounted for as an indirect non-wholly owned subsidiary (i.e. 55%) of the Company and will be consolidated into the consolidated financial statements of the Group.

Hubei Tiegang is principally engaged in coal trading and transportation business in the Northwest region of the PRC. The long stop date for the Proposed Acquisition has been extended to 30 June 2012 but completion shall take place within a short period of time in the next financial year. For more details, please refer to the Company’s announcement dated 5 December 2011, 31 March 2012, 24 April and 31 May 2012.

- (ii) In relation to the memorandum of understanding dated 2 December 2011 (“MOU”) entered into for the proposed acquisition of Baiyin Xinhua Cement Company Limited, upon negotiations on the terms and conditions of the acquisition, the Company has decided not to proceed with the acquisition and has mutually agreed with all other parties to terminate the MOU effective from 2 April 2012.
- (iii) The Master Project Management Agreement with Group Idea was expired on 5 April 2012. On the same date, the Company (through its subsidiary) entered into a sales agency agreement (“Agency Agreement”) with Kenfair Exhibition (HK) in

replacement of renewal of the Master Project Management Agreement, pursuant to which Kenfair Exhibition (HK) will be the show manager for all exhibitions and trade shows organized by Group Idea. Pursuant to the Agency Agreement, the Company will act as the sales agent for Kenfair Exhibition (HK). For further details, please refer to the announcement dated 4 April 2012.

- (iv) On 18 June 2012, the Company and Growing Around Holdings Limited (the “Subscriber”) entered into the Subscription Agreement, pursuant to which the Subscriber agreed to subscribe for the convertible notes (the “CNs”) in an aggregate principal amount of HK\$15,000,000. The initial conversion price (“Initial Conversion Price”) of HK\$0.20 per conversion share (“Conversion Shares”) and the CNs will be convertible into 75,000,000 Conversion Shares if full conversion of the CNs at the initial Conversion Price.

The estimated net proceeds from the issue of the CNs of approximately HK\$14,800,000 will be used for (a) financing the capital commitment (in full or in part) in connection with the Proposed Acquisition mentioned in (i) above; and (b) the Group’s general working capital purpose. The maturity date of the CNs is second anniversary of the issue date of the CNs. The CNs shall bear interest at the rate of 12% per annum from the date of issuance. The Stock Exchange has already approved the issuance of CNs on 27 June 2012. For further details, please refer to the announcement dated 18, 21 and 22 June 2012 respectively.

- (v) On 20 June 2012, Multi Century (BJ), an indirect non wholly-owned subsidiary of the Company, as the lessee, entered into the finance lease arrangement with Huixin Financial Leasing (Tianjing) Co., Ltd (the “lessor”). Pursuant to the lease agreement, the lessor agreed to acquire the certain specialised machinery and equipment for carrying out coalbed methane exploration by Multi Century (BJ) (the “Equipment”) at the consideration of RMB7,680,000 and lease back the Equipment to the lessee for a term of two years. During the lease period, the ownership of the Equipment will vest in the lessor. Upon the expiry of the lease period and subject to the payment of the lease payment, handling fee and other payables (if any) in full, MCT (BJ) has a right to purchase Equipment from the Lessor at an agreed amount of RMB1, upon the exercise of which the title and all rights in the Equipment shall vest in Multi Century (BJ).

The following guarantees are provided and equity is pledged for the finance lease arrangement:

- (a) The Company will provide a guarantee in favour of the lessor for the lease payment, handling fee or other payables by Multi Century (BJ);
- (b) The entire registered capital of Multi Century (BJ) will be pledged in favour of the lessor by its holding company, Multi Century Technology Development Limited; and

- (c) Mr. Gao Feng, the Vice-Chairman of the Company, will provide a personal guarantee in favour of the lessor.

For further details, please refer to the announcement dated 20 and 21 June 2012 respectively.

- (vi) The Group has commitment to provide funding of RMB17,600,000 as the balance payment of capital injection into Derong within six months after the approval dated on 22 November 2011 for increasing registered capital of Derong. On 7 June 2012, further approval is obtained that the capital contribution can be delayed to pay not later than 21 November 2012. As such, the Group will be effectively held 55% equity interest of Derong upon the balance payment of the registered capital.

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. Lam Williamson and the other two members are Mr. Cheng Wing Keung, Raymond and Mr. Wong Hoi Kuen. The Audit Committee has reviewed and discussed with the Company's management the annual results of the Group for the year ended 31 March 2012.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's results announcement for the year ended 31 March 2012 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, 28 June 2012

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