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## **China Sonangol Resources Enterprise Limited**

**安中資源實業有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010**

The board of directors (the “Board”) of China Sonangol Resources Enterprise Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010 together with the comparative figures for the corresponding period in 2009 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010**

	<i>NOTES</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover	3	<b>96,090</b>	23,105
Cost of sales and services provided		<b>(88,012)</b>	(17,134)
Gross profit		<b>8,078</b>	5,971
Other operating income		<b>2,752</b>	5,874
Impairment loss on goodwill		<b>(5,400)</b>	–
Net gain on deregistration of subsidiaries		–	2,618
Selling and distribution expenses		<b>(3,164)</b>	(3,508)
Administrative expenses		<b>(15,317)</b>	(21,408)
Finance costs	5	<b>(18,756)</b>	(16,640)
Loss before tax		<b>(31,807)</b>	(27,093)
Income tax (expense) credit	6	<b>(2,163)</b>	77
Loss for the year from continuing operations		<b>(33,970)</b>	(27,016)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations			
– Trading operation	7	–	(1,748)
Loss for the year	8	<b>(33,970)</b>	(28,764)

	<i>NOTES</i>	<b>2010</b> <b>HK\$'000</b>	2009 <i>HK\$'000</i>
<b>Other comprehensive (expense) income</b>			
Exchange difference arising on translation of overseas operation and net income directly recognised in equity		<u>(419)</u>	<u>10,705</u>
Other comprehensive (expense) income for the year (net of tax)		<u>(419)</u>	<u>10,705</u>
Total comprehensive expense for the year		<u><b>(34,389)</b></u>	<u>(18,059)</u>
Loss for the year attributable to:			
– Owners of the Company		<b>(31,789)</b>	(28,764)
– Minority interests		<u>(2,181)</u>	<u>–</u>
		<u><b>(33,970)</b></u>	<u>(28,764)</u>
Total comprehensive expense attributable to:			
– Owners of the Company		<b>(32,071)</b>	(18,059)
– Minority interests		<u>(2,318)</u>	<u>–</u>
		<u><b>(34,389)</b></u>	<u>(18,059)</u>
<b>LOSS PER SHARE – BASIC AND DILUTED</b>			
(Expressed in Hong Kong cents)			
From continuing operations	10	<b>(4.15)</b>	(3.53)
From discontinued operations		<u>–</u>	<u>(0.23)</u>
From continuing and discontinued operations		<u><b>(4.15)</b></u>	<u>(3.76)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2010**

	<i>NOTES</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>23,626</b>	157
Intangible assets		<b>139,168</b>	–
Goodwill		<b>15,065</b>	–
Security deposit		<b>1,844</b>	–
		<hr/> <b>179,703</b>	<hr/> 157
<b>Current assets</b>			
Inventories		<b>63,407</b>	1,644
Deposits for acquisition of subsidiaries		–	2,000
Trade and other receivables	11	<b>13,412</b>	3,179
Bank balances and cash		<b>286,711</b>	378,997
		<hr/> <b>363,530</b>	<hr/> 385,820
<b>Current liabilities</b>			
Trade and other payables	12	<b>39,600</b>	7,414
Amounts due to related companies		<b>168</b>	3,224
Amount due to a minority shareholder		<b>28,500</b>	–
Convertible loan notes		<b>180,410</b>	–
		<hr/> <b>248,678</b>	<hr/> 10,638
Net current assets		<hr/> <b>114,852</b>	<hr/> 375,182
Total assets less current liabilities		<hr/> <b>294,555</b>	<hr/> 375,339
<b>Capital and reserves</b>			
Share capital		<b>76,537</b>	76,537
Reserves		<b>104,860</b>	136,931
		<hr/> <b>181,397</b>	<hr/> 213,468
Equity attributable to owners of the Company		<b>181,397</b>	213,468
Minority interests		<b>78,004</b>	–
		<hr/> <b>259,401</b>	<hr/> 213,468
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>33,364</b>	–
Provision for close down, restoration and environmental costs		<b>1,790</b>	–
Convertible loan notes		–	161,871
		<hr/> <b>35,154</b>	<hr/> 161,871
		<hr/> <b>294,555</b>	<hr/> 375,339

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied a number of new and revised standards, amendments to standards and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation (“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	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs 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 HKFRSs 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 had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

***HKAS 1 (Revised 2007) Presentation of Financial Statements***

HKAS 1 (Revised 2007) 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 not resulted in a redesignation of the Group’s reportable segments but changed the basis of measurement of segment profit or loss, segment assets and segment liabilities as compared with the primary reportable segments determined in accordance with HKAS 14 Segment Reporting (see Note 4).

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2010 <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>7</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible Hedge Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>4</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>6</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>4</sup>
HKFRS 3 (Revised)	Business Combination <sup>1</sup>
HKFRS 9	Financial Instruments <sup>8</sup>
HK (IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>7</sup>
HK (IFRIC)-INT 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK (IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments <sup>6</sup>

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

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.

<sup>3</sup> Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate.

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

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

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>8</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. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs(2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

### 3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and discounts allowed and provision of management services. An analysis of the Group's turnover for the year, for both continuing and discontinued operations is as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Continuing operations		
Sales and distribution of coal	<b>86,514</b>	–
Sales of clocks and other office related products	<b>4,576</b>	19,105
Management fee income	<b>5,000</b>	4,000
	<b>96,090</b>	23,105

### 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 purpose of allocating resources to segments and assessing their performance. The application 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. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group currently organises its operations into three reportable operating segments, namely marketing of clocks and other office related accessories, provision of management services, and the coal mine business. The principal activities of the reportable segments are as follows:

- (a) the clocks and other office related products segment engages in the marketing of clocks and other office related accessories;
- (b) the provision of management services related to oil trading; and
- (c) the coal mine business segment engages in mining, sales and distribution of coal.

During the year ended 31 March 2009, the Company ceased the operation of trading of metals. Accordingly, the business segment of trading of metals was classified as discontinued operation during the year ended 31 March 2009.

(a) **Segment revenue and results**

The following tables present turnover, results and certain asset, liability and expenditure information for the Group's business segments.

*For the year ended 31 March 2010*

	<b>Continuing operations</b>			
	<b>Clocks and other office related products HK\$'000</b>	<b>Provision of management services HK\$'000</b>	<b>Coal mine business HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT TURNOVER:				
Sales to external customers	<u>4,576</u>	<u>5,000</u>	<u>86,514</u>	<u>96,090</u>
SEGMENT RESULTS	<u>(2,844)</u>	<u>4,195</u>	<u>(9,592)</u>	<u>(8,241)</u>
Interest income				120
Net unallocated expenses				(4,930)
Finance costs				<u>(18,756)</u>
Loss before tax (from continuing operations)				<u>(31,807)</u>

*For the year ended 31 March 2009*

	<b>Continuing operations</b>			
	<b>Clocks and other office related products HK\$'000</b>	<b>Provision of management services HK\$'000</b>	<b>Coal mine business HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT TURNOVER:				
Sales to external customers	<u>19,105</u>	<u>4,000</u>	<u>–</u>	<u>23,105</u>
SEGMENT RESULTS	<u>(14,424)</u>	<u>3,633</u>	<u>–</u>	<u>(10,791)</u>
Interest income				1,230
Net unallocated expenses				(892)
Finance costs				<u>(16,640)</u>
Loss before tax (from continuing operations)				<u>(27,093)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, interest income and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

(a) **Segment assets and liabilities**

*For the year ended 31 March 2010*

	Continuing operations				
	Clocks and other office related products <i>HK\$'000</i>	Provision of management services <i>HK\$'000</i>	Coal mine business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	1	–	241,332		241,333
Unallocated assets					301,900
					<hr/>
Total assets					543,233
					<hr/>
<b>LIABILITIES</b>					
Segment liabilities	8,290	–	63,258		71,548
Unallocated liabilities					212,284
					<hr/>
Total liabilities					283,832
					<hr/>
<b>OTHER SEGMENT INFORMATION:</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment ( <i>Note</i> )	–	–	6,447		6,447
Depreciation and amortisation	30	–	4,848		4,878
Net reversal of allowance for doubtful debts of trade receivables	(553)	–	–		(553)
Write down of inventories			16,800		16,800
Loss on disposal of property, plant and equipment	100	–	–		100
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	(6)	–	(84)	(30)	(120)
Interest expense	–	–	217	18,539	18,756
Income tax expense	163	–	2,000	–	2,163
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

*Note:* The amount excluded the property, plant and equipment acquired on subsidiaries.



For the year ended 31 March 2009

	<b>Continuing operations</b>			
	<b>Clocks and other office related products HK\$'000</b>	<b>Provision of management services HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
<b>ASSETS</b>				
Segment assets	5,057	–		5,057
Unallocated assets				380,920
				<hr/>
Total assets				385,977
				<hr/>
<b>LIABILITIES</b>				
Segment liabilities	10,205	–		10,205
Unallocated liabilities				162,304
				<hr/>
Total liabilities				172,509
				<hr/>
<b>OTHER SEGMENT INFORMATION:</b>				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	66	–		66
Depreciation and amortisation	453	–		453
Bad debts directly written off	3,728	–		3,728
Write down of inventories	264	–		264
Loss on disposal of property, plant and equipment	3	–		3
Waiver of long outstanding trade payables	(4,162)	–		(4,162)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:				
Interest income	(9)	–	(1,221)	(1,230)
Interest expense	16,634	–	6	16,640
Income tax credit	(77)	–	–	(77)
	<hr/>	<hr/>	<hr/>	<hr/>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash and security deposit. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities, provision for close down, restoration and environmental costs, and convertible loan notes. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

**(b) Geographical information**

The following table presents turnover and certain assets and expenditure information for the Group by geographical location.

	Europe		Hong Kong		PRC (other than Hong Kong)		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	1,123	7,125	5,119	9,808	89,848	6,172	96,090	23,105
Non-current assets	-	-	-	9	179,703	148	179,703	157

Information about major customers

For the year ended 31 March 2010, a single customer of the coal mine business of the Group with revenue contributed to the Group amounting to approximately HK\$10,670,000 had individually accounted for over 10% of the Group's total revenue. The customer is a new customer to the Group for the year ended 31 March 2010.

For the year ended 31 March 2009, there was no individual customer contributed more than 10% of the total revenue of the Group.

**5. FINANCE COSTS**

	Continuing operations	
	2010	2009
	HK\$'000	HK\$'000
Interest expenses on:		
– bank borrowings wholly repayable within five years	-	6
– amount due to a minority shareholder	217	-
– effective interest expenses on convertible loan notes	18,539	16,634
	<u>18,756</u>	<u>16,640</u>

**6. INCOME TAX (EXPENSE) CREDIT**

	Continuing operations	
	2010	2009
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– current year	-	-
– over-provision in prior years	-	(99)
Tax in other jurisdictions		
– current year	2,671	-
– under-provision in prior years	-	22
	<u>2,671</u>	<u>(77)</u>
Deferred tax	(508)	-
	<u>2,163</u>	<u>(77)</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong for both years ended 31 March 2010 and 31 March 2009.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the laws and regulations in the PRC, one of the Group's subsidiaries operating in the PRC is entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years.

## 7. DISCONTINUED OPERATIONS

Discontinued operation of trading of metal

During the year ended 31 March 2009, the Group ceased the operation of trading of metals. This was regarded as a discontinued operation and accordingly, the consolidated results and cash flows of the operation for the year were as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover	–	–
Administrative expenses	–	(1,748)
Loss for the year	<u>–</u>	<u>(1,748)</u>
Loss for the year from discontinued operation includes the following:		
Net exchange loss	<u>–</u>	<u>2</u>

During the year ended 31 March 2009, the segment of trading of metal contributed approximately HK\$3,194,000 to the Group's net operating cash outflows, and paid approximately HK\$3,200,000 in respect of financing activities.

## 8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Continuing operations	
	2010 HK\$'000	2009 HK\$'000
Cost of inventories sold	88,012	17,134
Staff costs (excluding directors' remuneration):		
Basic salaries and allowances	6,568	7,364
Retirement benefits scheme contributions	196	234
	<hr/>	<hr/>
	6,764	7,598
Depreciation of property, plant and equipment	1,677	453
Amortisation of intangible assets (included in cost of sales)	3,201	–
Net reversal of allowance for doubtful debts of trade receivables (included in other operating income)	(553)	–
Auditor's remuneration	680	550
Bad debts directly written off (included in administrative expenses)	–	3,728
Operating leases charges on rented premises	1,852	879
Net exchange loss	1,318	4,985
Write down of inventories (included in cost of sales)	16,800	264
Gain on disposal of subsidiaries	–	(3)
Loss on disposal of property, plant and equipment	100	3
Waiver of long outstanding trade payables	–	(4,162)
Interest income	(120)	(1,230)
	<hr/>	<hr/>

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

## 10. LOSS PER SHARE – BASIC AND DILUTED

### From continuing and discontinued operations

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

	2010 HK\$'000	2009 HK\$'000
<b>Loss</b>		
Loss for the year attributable to the owners of the Company	31,789	28,764
	<hr/>	<hr/>

	2010	2009
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>765,373,584</u>	<u>765,373,584</u>

#### **From continuing operations**

The calculation of the basic loss per share from continuing operations attributable to owners of the Company for the year is based on the following data:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(31,789)	(28,764)
<i>Less:</i> Loss for the year from discontinued operations attributable to owners of the Company (note 7)	<u>–</u>	<u>(1,748)</u>
Loss for the year for the purpose of basic loss per share from continuing operations	<u>(31,789)</u>	<u>(27,016)</u>

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

#### **From discontinued operation**

Basic loss per share for discontinued operations was HK0.23 cents per share in year 2009, based on the loss for the year from the discontinued operations attributable to the owners of the Company of approximately HK\$1,748,000 in year 2009 and the denominators detailed above for basic loss per share.

The calculation of diluted loss per share for the year ended 31 March 2010 do not assume the conversion of the convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

The calculation of diluted loss per share for the year ended 31 March 2009 do not assume the exercise of the outstanding share options and the conversion of the convertible loan notes since their exercise and conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

### **11. TRADE AND OTHER RECEIVABLES**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade and bills receivables	12,350	1,354
Less: Allowance for doubtful debts of trade receivables	<u>(719)</u>	<u>(600)</u>
	11,631	754
Prepayments, deposits and other receivables	<u>1,781</u>	<u>2,425</u>
	<u>13,412</u>	<u>3,179</u>

The Group's sales to coal customers are largely on cash basis or with payment in advance. For certain well-established customers, the Group allows an average credit period of 90 days.

The Group's sales to other customers are on open account terms. Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 180 days.

Included in the trade receivables is bills receivables amounted to approximately HK\$10,117,000 (2009: Nil) aged within one year.

At the end of reporting period, the aging analysis of the trade and bills receivables, net of allowance for doubtful debts was as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 90 days	<b>7,248</b>	565
91 – 180 days	<b>4,383</b>	26
181 – 365 days	–	–
Over 1 year	–	163
	<b>11,631</b>	754

## 12. TRADE AND OTHER PAYABLES

At the end of reporting period, the aging analysis of the trade payables were as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 90 days	<b>12,898</b>	1,212
91 – 180 days	<b>1,253</b>	488
181 – 365 days	<b>2,795</b>	–
Over 1 year	<b>655</b>	470
Trade payables	<b>17,601</b>	2,170
Receipt in advance	<b>1,373</b>	1,541
Other payables and accruals	<b>20,626</b>	3,703
	<b>39,600</b>	7,414

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

At 31 March 2010, a balance payable to Mr. Liang Jin Yau (“Mr. Liang”), a director of certain subsidiaries of the Group, amounting to HK\$1,340,000 (2009: HK\$1,500,000) was included in other payables. The amount was unsecured, non-interest bearing and repayable on demand.

## 13. EVENTS AFTER THE REPORTING PERIOD

On 20 May 2010, Lasting Power Investments Limited (“Lasting Power”), a wholly-owned subsidiary of the Company, entered into an agreement with Star Fortune International Development Company Limited, a minority shareholder of Star Fortune International Investment Company Limited (“Star Fortune”), pursuant to which Lasting Power has conditionally agreed to further acquire 49% equity interest in Star Fortune at a consideration of HK\$50,000,000. Star Fortune is an investment holding company which is a subsidiary of the Company, with its subsidiaries engaging in mining, sale and distribution of coals in the PRC. Details of this transaction are stated in an announcement of the Company dated 2 June 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Turnover*

The Group recorded a turnover of approximately HK\$96,090,000 for the year ended 31 March 2010 (2009: HK\$23,105,000). It represents an increase of approximately HK\$72,985,000 or 316% as compared with last year.

#### *Gross profit*

The gross profit of the Group for the year ended 31 March 2010 was increased to approximately HK\$8,078,000 (2009: HK\$5,971,000).

#### *Loss for the year*

Loss of the Group for the year ended 31 March 2010 was increased 18.10% to approximately HK\$33,970,000 (2009: approximately HK\$28,764,000). This was mainly due to the increase in finance cost and the impairment loss on goodwill.

### Segment Information

#### *Business segment*

The performance of each of the Group's business segment for the year ended 31 March 2010 are set out in note 4 to the financial statements and are summarized below:

#### Clocks and Other Office Related Products

This Division achieved a turnover of approximately HK\$4,576,000 in the year under review (2009: approximately HK\$19,105,000), it represents a reduction of approximately HK\$14,529,000 or 76% as compared with the same period last year.

This Division reported a segment trading loss of approximately HK\$2,844,000 for the year ended 31 March 2010 representing a decrease of approximately HK\$11,580,000 or 80% from last year of approximately HK\$14,424,000.

#### Management Fee Income

This Division achieved a turnover of HK\$5,000,000 for the year ended 31 March 2010 (2009: HK\$4,000,000).

## Coal Mine Business

The Division contributed a turnover of HK\$86,514,000 for year ended 31 March 2010 (2009: Nil). It was a new business segment which generating the new source of income for the Group. The performance of the division was deteriorated on the last quarter of the financial year, coal price was adjusted radically on the lingering effect of the financial tsunami as well as the sluggish economic activities in Xinjiang region during this period. The group prudently made an impairment loss on inventory amounting to HK\$16,800,000 at the year end date in order to reflect the realizable value of inventory while we already monitored the coal price rebound quite smoothly recently.

### *Geographic segments*

Hong Kong and PRC (other than Hong Kong) were the major geographical segments of the Group for the year ended 31 March 2010. Ratio analysis by geographical segments for the Group's turnover for the year ended 31 March 2010 is as follows :

	<b>Europe</b>		<b>Hong Kong</b>		<b>PRC (other than Hong Kong)</b>	
	<b>2010</b>	2009	<b>2010</b>	2009	<b>2010</b>	2009
	<b>%</b>	%	<b>%</b>	%	<b>%</b>	%
Segment turnover: to total turnover	<b>1.17</b>	30.84	<b>5.33</b>	42.45	<b>93.50</b>	26.71

### **Liquidity and Financial Resources**

As at 31 March 2010, the Group had:

- net current assets of approximately HK\$114,852,000 (2009: approximately HK\$375,182,000).
- bank balances and cash of approximately HK\$286,711,000 (2009: approximately HK\$378,997,000) which were the major components of the Group's current assets of approximately HK\$363,530,000 (2009: approximately HK\$385,820,000).
- current liabilities of approximately HK\$248,678,000 (2009: approximately HK\$10,638,000) which were mainly composed of amount due to a minority shareholder HK\$28,500,000 (2009: Nil) and convertible loan notes (liability component only) with carrying amount of approximately HK\$180,410,000 (2009: Nil).
- non-current liabilities of approximately HK\$35,154,000 (2009: approximately HK\$161,871,000) which were composed of deferred tax liability of HK\$33,364,000 (2009: Nil).

Since the convertible loan notes (liability component only) was a component of current liabilities for the year ended 31 March 2010, the Group's gearing ratio was greatly decreased to approximately nil (2009: 75.83%). The computation is based on long-term borrowings of the Group divided by shareholder's equity before minority interests as at 31 March 2010.



## **Charges on Group's Assets**

As the financial year ended 31 March 2010, none of trade receivables was pledged to secure the borrowing (2009: Nil), no leasehold land and buildings or investment properties of the Group were pledged to secure general banking facilities granted to the Group (2009: Nil).

## **Significant Investments and Material Acquisitions**

On 3 July 2009, the Group completed the acquisition of 51% equity interest in Star Fortune International Investment Co. Ltd., which engages in mining, sales and distribution of coal in PRC, at an aggregate consideration of HK\$104,066,000 including legal and professional fees directly attributable to the acquisition amounting to approximately HK\$4,066,000. The transaction has been accounted for using the acquisition method of accounting.

## **Discontinued Operation**

During the year ended 31 March 2010, there was no discontinuing operation in the Group.

## **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in Euro, US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Government of the Hong Kong Special Administrative Region's policy to peg the Hong Kong dollars with the US dollars remains unchanged. The fluctuation of Euro will be minimal as Germany subsidiary is under liquidation.

## **Treasury Policies**

The Group generally finances its operation with internal generated resources.

## **Contingent Liabilities**

As at 31 March 2010, the Group did not have any contingent liabilities (2009: Nil).

## **Employees**

As at 31 March 2010, the Group had 115 employees (2009: 62) spreading among Hong Kong, the PRC and Germany. Industrial relationship has been well maintained. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs. The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

In the opinion of the directors of the Company (the “Directors”), the Company has during the year ended 31 March 2010 complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except the following aspects:

1. For the sake of flexibility, the Board holds meeting whenever necessary. During the year ended 31 March 2010, the Board held five meetings which exceeded the minimum number of board meetings required under Code provision A.1.1.
2. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. During the year ended 31 March 2010, the Company did not have any officer with CEO title. Ms. Lo Fong Hung, the Chairperson and Managing Director of the Company, also carried out the responsibility of CEO during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company’s strategies.
3. Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting of the Company. Due to other business commitment, Ms. Lo Fong Hung, the Chairperson of the Board, was unable to attend the annual general meeting of the Company held on 20 July 2009.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of three independent non-executive directors of the Company, namely, Messrs. Wong Man Hin, Raymond, Lam Ka Wai, Graham and Chan Yiu Fai, Youdey. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2010.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company comprises four members, an executive director of the Company namely, Messrs. Kwan Man Fai and three independent non-executive directors of the Company namely, Messrs. Wong Man Hin, Raymond, Lam Ka Wai, Graham and Chan Yiu Fai, Youdey. The remuneration committee has adopted the terms of reference, which are in line with the Code.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.chinasonangol.com.hk](http://www.chinasonangol.com.hk). The annual report of the Company for the year ended 31 March 2010 containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

By Order of the Board  
**China Sonangol Resources Enterprise Limited**  
**Kwan Man Fai**  
*Executive Director*

Hong Kong, 18 June 2010

*As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai, and three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey.*