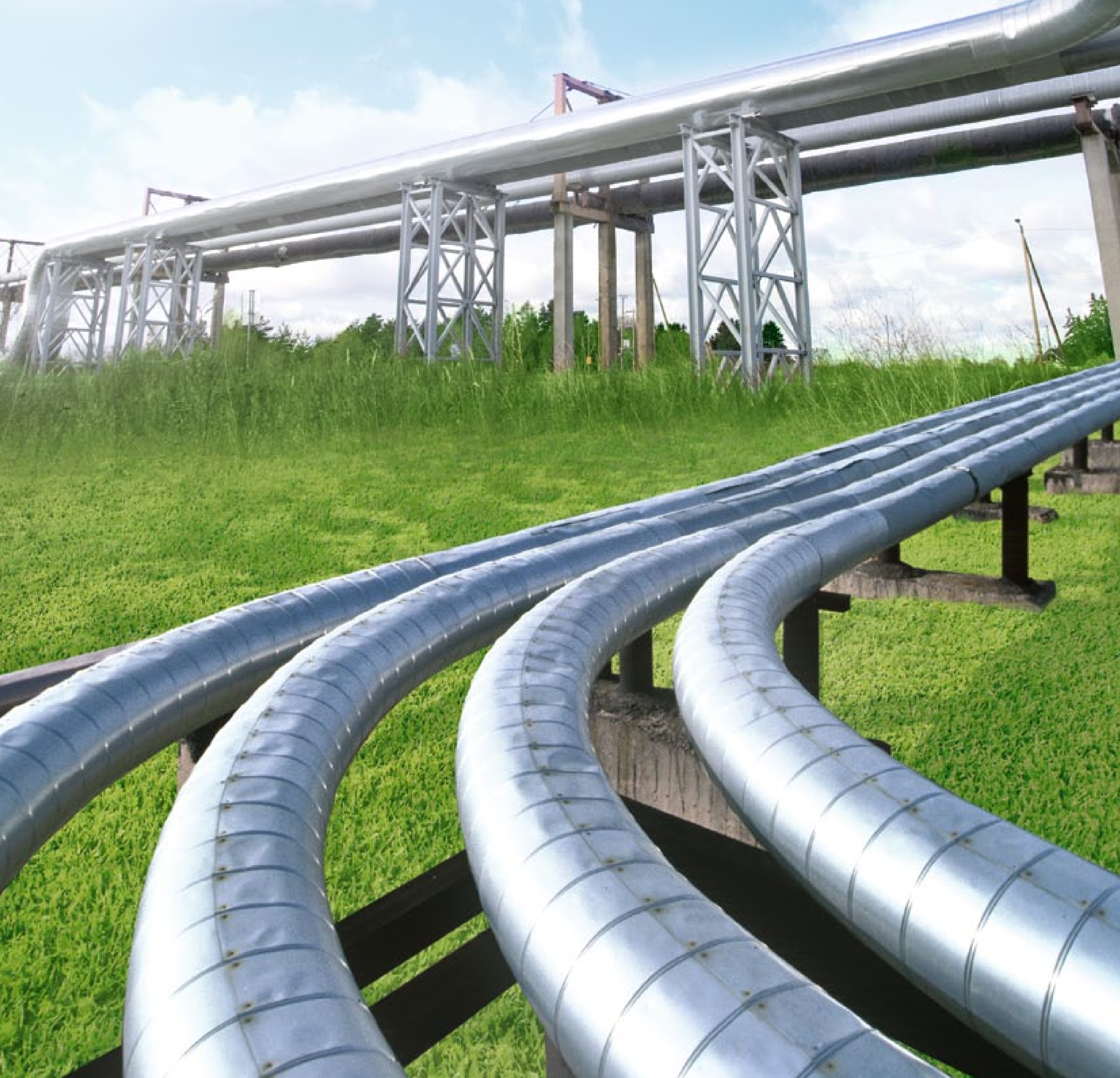
RPC 瑞豐石化

Ruifeng Petroleum Chemical Holdings Limited
瑞豐石化控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8096)



THE NEW ERA BEGINS WITH US

Annual Report 2011

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This report, for which the directors of Ruifeng Petroleum Chemical Holdings Limited (formerly known as Thinsoft (Holdings) Inc) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Ruifeng Petroleum Chemical Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report to you the performance of Ruifeng Petroleum Chemical Holdings Limited (formerly known as Thinsoft (Holdings) Inc) (the "Company") and its subsidiaries (collectively the "Group") for the financial year of 2011.

ENTERING A CHALLENGING AND VOLATILE OIL INDUSTRY

The Group has experienced a tough year of 2011. The global economy was adversely hammered by sovereign debt crisis in euro-zone countries. In eastern China, the economy is expected to slow down as mentioned by the local authority. The prospect of petrochemical industry is not optimistic as we previously foreseen. Nevertheless, it is still full of opportunities and challenges.

Since the acquisition of oil processing and trading business on 31 December 2010, the Group has successfully transformed its business model from conventional IT business to petrochemical industry. To cope with the shrinking demand, software piracy and weakened consumer-spending sentiment for the conventional software and IT business, the Group had redirected its resources to its core business – oil processing, storage and trading.

In order to have a more appropriate identification and image, a special resolution approving the change of Company name from "Thinsoft (Holdings) Inc." to "Ruifeng Petroleum Chemical Holdings Limited") was duly passed by the shareholders of the Company on 11 March 2011 and the change of Company name took effect on the same date.

We believe by exploration of new business development in petrochemical industry in mainland China could sustain a long term growth and in the interest of the shareholders. Furthermore, it take advantage to make use of the leverage on the Company's stance as a listed company in Hong Kong with access to international capital markets.

To cope with the tough business environment and ever-changing fuel oil market in mainland China, we strive to fine tune and restore the production facilities, strengthen the technical and management team, uphold a timely market information exchange, we will also enhance the research and development, and production safety through the following measures:

STRENGTHEN THE GROUP'S EDGE OF COMPETITIVE ADVANTAGE

(i) Improving technical and management team

Equip all the technical, marketing and management team with latest technology advancement in oil refinery and related professional knowledge through on-going in-house training and exchange with international firms. Currently, the Group has been operating by a team of experienced and professional management, most of them have at least 15 years of experiences in oil industry. They have an in-depth knowledge and high acumen in oil business that allow them to respond to the change of oil market swiftly.

(ii) Strengthen the oil processing depot and upgrade the storage facilities for oil processing and oil trading

The Group owns a land of total 95,700 m^2 in Foshan, PRC, on which it has built oil tanks and oil processing facility which annual processing capacity of 1 million tons of oil. We plan to further maximise the utilization of the oil tanks and oil processing facilities, in particular, the loading capacity of self-owned terminal. Ruifeng Group has equipped with a total of 47 oil tanks with maximum volume capacity around 168,500 m^3, of which 20 oil tanks with volume of approximately 95,000 m^3 are owned by Ruifeng, and the remaining 27 oil tanks with volume of approximately 73,500 m^3 are owned by Beili. Beili also owns a wharf of Qiao Jiang Oil Depot for loading and unloading oil products.

While continuing to streamline the production facilities and cost structure, we also focus on risk management and control across the business operations, and we will exhibit caution over the deteriorating market conditions. We will only pursue those opportunities with manageable risk and appropriate reward at the best interest of shareholders.

CHAIRMAN'S STATEMENT

DEVELOP THE DOWNSTREAM PETROLEUM MARKET

As a long term business development and marketing strategies, the Group aspires to extend its business to downstream petrochemical trading and storage business through potential acquisition of the 70% of equity interest in Zhoushan Boke Power Co. Ltd. ("Boke"). The acquisition is still in progress under the current reporting year. We believe, upon completion of the acquisition and extending the retail sales network to the eastern China, the Company would be able to increase the market share of oil trading in the PRC.

EXPLORATION OF ELECTRONIC TRANSACTION PLATFORM

With aim to diversify the Group's investments, on 15 September 2011, the Group entered into Memorandum of Understanding with the China E-Commerce Association Development Fund, which has sketch a development and operation framework of electronic transaction platform for petrochemical products. The platform is expected to facilitate the Company entering into the electronic trading spectrum of the petrochemical products, and widen the Company's income stream, and also bring along with synergy effect to the Group.

STRATEGIC COOPERATION AGREEMENT WITH EU CHINA

On 16 October 2011, the Company has entered into the Strategic Cooperation Agreement with EU-China Fund Management Limited (the "EU China") pursuant to which EU China is expected to invest no less than RMB4 billion into the Company with two years from the date of the Strategic Cooperation Agreement. Strategic Cooperation Agreement offers an opportunity to the Group to expand its investment scale in China, including oil refinery, storage and harbor facilities and is a recognition of the Company's business from the market. With the Strategic Cooperation Agreement, the Company could have more capital to further develop its oil trading business, as well as introduce international investors to expand its shareholder base.

ACKNOWLEDGEMENTS

Finally, on behalf of the board of directors of the Company, I would like to express my sincere gratitude to the management and all the employees of the Group for their dedication. I would also like to thank our shareholders, suppliers, bankers and customers for their continuous support.

Yu Won Kong, Dennis
Chairman

Hong Kong
30 March 2012

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yu Won Kong Dennis (Chairman)
Mr. Yue Wai Keung
Mr. Guo Jing Sheng (appointed on 29 February 2012)

NON-EXECUTIVE DIRECTORS
Mr. Chan Kwan Pak
Mr. Lam Kit Sun (resigned on 6 July 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Chen Tzyh-Trong
Dr. Lee Chung Mong
Mr. Yeung Chi Hung

AUDIT, NOMINATION AND REMUNERATION COMMITTEE
Mr. Chen Tzyh-Trong
Mr. Lee Chung Mong
Mr. Yeung Chi Hung

CHIEF EXECUTIVE OFFICER
Mr. Yue Wai Keung (appointed on 29 February 2012)
Mr. So Sang Yee (appointed on 1 March 2011, resigned on 31 January 2012)

COMPANY SECRETARY
Mr. Li Kwok Fat (appointed on 16 March 2012)
Mr. Ng Kar Yan Frederick (appointed on 1 August 2011, resigned on 16 March 2012)
Mr. So Kin Wing (resigned on 1 August 2011)

COMPLIANCE OFFICER
Mr. Yue Wai Keung

AUTHORISED REPRESENTATIVE
Mr. Yue Wai Keung
Mr. Li Kwok Fat (appointed on 16 March 2012)
Mr. Ng Kar Yan Frederick (appointed on 1 August 2011, resigned on 16 March 2012)
Mr. So Kin Wing (resigned on 1 August 2011)

REGISTERED OFFICE
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Cayman Islands

AUDITOR
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P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
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STOCK CODE
8096

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Results		
Turnover	**5,320,023**	8,219
Profit/(Loss) for the year attributable to equity holders of the Company	**24,086**	(25,236)
Assets and liabilities		
Total assets	**4,973,058**	3,823,620
Total liabilities	**4,081,083**	3,658,444
Shareholders' equity	**891,975**	165,176

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND BUSINESS REVIEW

Following the completion of acquisition of Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd. and its subsidiaries on 31 December 2010, fuel oil processing business has become the core business of the Group.

In order to have a more appropriate identification and image, a special resolution approving the change of Company name from "Thinsoft (Holdings) Inc." to "Ruifeng Petroleum Chemical Holdings Limited") was duly passed by the shareholders of the Company on 11 March 2011 and the change of Company name took effect on the same date.

Fuel oil processing and trading business

The Group is one of the major operators in domestic fuel oil processing and production industry in Guangdong province. The business is affected by several macro factors, in particular global fuel oil price. The international fuel oil price surged in the first half of 2011 and kept hovering at a stable manner in second half of 2011. However, the slowdown in economy growth in mainland China and a decrease in its manufacturing rate have imposed uncertainty over the demand of fuel oil in mainland. Furthermore, worries over the fiscal and sovereign debt crisis in euro-zone countries have dampened the demand of fuel oil globally. For the year under review, the Group recorded a revenue and profit before income tax of approximately of HK$5,320.02 million (2010: HK$8.22 million) and HK$24.09 million (2010: loss of approximately HK$25.24 million), respectively.

IT business

The IT business has experienced a decline both in its turnover and gross profit in reporting year. It recorded revenue of approximately of HK$5.89 million, representing a 28% decrease comparing to same period last year of approximately of HK$8.22 million. The decrease is mainly due to the shrinking demand, software piracy and the uncertain recovery of the global economy. The sluggish consumer demand has inevitably hampered the consumer-spending sentiment and hindered the IT business.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2011 was increased to approximately HK$5,320 million when compared to same period last year of approximately HK$8.2 million. The increase was substantially contributed by the fuel oil processing and trading business, which accounted for approximately HK$5,314.1 million.

Due to the change of cost structure as a result of the newly acquired fuel oil and fuel oil related business, gross profit margin for the year ended 31 December 2011 decreased from last year's of approximately 86.0% to this financial year of approximately of 4.3%.

Selling and distribution costs and administrative expenses for the year ended 31 December 2011 increased to approximately HK$112.4 million (2010: HK$32.4 million) which was in line with the increase in turnover. The finance costs mainly represent the borrowing costs arisen from operation of fuel oil processing business.

The Group recorded a profit attributable to equity holders of the Company for the year under review of approximately HK$24.1 million (2010: loss of approximately HK$25.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group maintained cash and cash equivalents (including restricted cash) of approximately HK$936 million (2010: HK$708 million) and had interest-bearing bank and other borrowings of approximately HK$634 million (2010: HK$432 million).

Two batches of convertible bonds were issued on 31 December 2010 ("Tranche I CB") and 18 February 2011 ("Tranche II CB") to raise approximately HK$241.3 million and HK$444.5 million, respectively. As at 31 December 2011, both Tranche I CB and Tranche II CB were fully converted into 380,000,000 and 700,000,000 ordinary shares of the Company in 2011.

On 25 February 2011, the Company entered into private warrant placing agreements with five independent individuals to place a total of 145,000,000 warrants at the exercise price of HK$1.2. The net proceeds received by the Company arisen from warrant subscription price were approximately HK$261,000. As at 31 December 2011, no warrants have been exercised. All the subscription rights attaching to the Warrants were expired and lapsed on 24 February 2012. Please refer to the Company's announcement dated 25 February 2011 for the details.

On 3 October 2011, and 1 December 2011, the Company had successfully raised net proceeds of HK$40.8 million (Relevant First Placing Proceeds) and HK$56.4 million (Relevant Second Placing Proceeds) by two conditional top-up placements with 60 million and 232 million (Relevant Second Placing Proceeds) new shares of HK$0.01 each at issue price HK$0.70 and HK$0.25 per share, respectively. The Board had resolved to change the application of the Relevant First Placing Proceeds, which was intended to be used to finance the potential acquisition of the 70% equity interest in Zhoushan Boke Power Co. Ltd, be used for the repayment of loans of the Group. The Board had also resolved to change the application of the Relevant Second Placing Proceeds as to approximately HK$53.84 million for repayment of loans of the Group; and as to approximately HK$2.56 million for general working capital purposes of the Group. Please refer to the Company's announcement dated 3 October 2011 and 1 December 2011 for the details.

On 22 August 2011, the board of the directors of the Company has resolved to grant an aggregate of 246,900,000 options to the directors and employees of the Company to subscribe the shares of the Company in accordance to the share option scheme of the Company approved by the Company's shareholders on 2 February 2002. As the total number of the Company's shares issued and to be issued upon exercise of the options, which were granted to certain directors and employees in any 12-months period exceed 1% of the issued share capital of the Company, such grant must be separately approved by the Company's shareholders in the extraordinary general meeting of the Company. The Company's shareholders of the Company have approved such granted on 12 October 2011. Please refer to the Company's announcement and circular dated 22 August 2011 and 25 September 2011, respectively for the details.

Subsequent to reporting year ended, on 30 January 2012, the Company concluded a Deed of Settlement with a creditor, pursuant to which, the creditor had the settlement of loan by capitalizing approximately HK$135,792,000, being the outstanding principal and corresponding accrued interest into the capital of the Company by means of issuing and allotting 664,020,000 Loan Settlement Shares to the Creditor. A total of 664,020,000 Loan Settlement Shares were subsequently allotted and issued on 22 March 2012 under the specific mandate. Please refer to the Company's announcement dated 30 January 2012 for the details.

On 13 February 2012, the Company entered into a conditional placing and subscription agreement, of which 43,672,000 shares were successfully placed and issued at HK$0.229 per share, raising net proceeds of approximately HK$9.65 million which were used for general working capital and repayment by the Group. Please refer to the Company's announcement dated 13 February 2012 for the details.

On 17 February 2012, the Company entered into another two deed of settlements with two creditors, pursuant to which the first creditor had the full and final settlement of loan by capitalization of approximate HK$24.87 million, and the second creditor requested the partial settlement of loan by capitalization of approximately HK$7.04 million, being aggregate of principal together with accrued interest, respectively, by issuance of Loan Settlement Shares. A total of 145,851,617 Loan Settlement Shares were subsequently allotted and issued on 28 February 2012 under the general mandate. Please refer to the Company's announcement dated 17 February 2012 for the details.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

During the year, the investment of the 100,000 shares in Vietnam Emerging Market Fund had been disposed, a gain of approximately HK$165,000 was recorded.

GEARING RATIO

As at 31 December 2011, the gearing ratio (the interest-bearing bank and other borrowings, trade payables and bills payable, other payables and accrual, amounts due to related companies, amount due to a director less cash and cash equivalent and pledged deposit divided, divided by total equity and liabilities) was 38% (31 December 2010: 72%). The decrease in gearing ratio was the result of the fully conversion of Tranche I CB and Tranche II CB into 380,000,000 ordinary shares and 700,000,000 ordinary shares respectively during the year ended 31 December 2011 which increase the Group's equity amount.

SIGNIFICANT FOREIGN EXCHANGE EXPOSURE

The functional currency of Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd., a principal operating subsidiary of the Group is RenMinBi ("RMB"). It is exposed to foreign exchange risk in RMB mainly arising from the operations of the Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd.

CHARGES ON GROUP ASSETS

Please refer to note 26 of the notes to the financial statements for details.

CONTINGENT LIABILITY

As at 31 December 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

LITIGATION

Details of the litigations are set out in note 43 to the consolidated financial statements under the heading "Litigation". Please also refer to the Company's announcement dated 1 March 2012 and 28 March 2012 for the details.

SEGMENTAL INFORMATION

The segmental information of the Group's products is set out in Note 8 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2011, the Group had approximately 446 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the year amounted to approximately HK$49.63 million (2010: HK$12.14 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration policy of the Group is generally in line with the market trend and commensurate with the salary level in the industry. Other benefits to the Group's employees include retirement schemes.

A total of 246,900,000 new share options have been granted on 22 August 2011 under the Post-IPO share option scheme (the "Post-Scheme") adopted by the Company on 2 February 2002. A new share option scheme ("New Share Option Scheme") has been adopted on 22 March 2012, the rules of the New Share Option Scheme are approved and adopted, and the directors of the Company are authorised to grant options and to allot, issue and deal in the Shares pursuant to the exercise of any options granted and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme. Please refer to the Company announcement dated 22 August 2011 and 25 September 2011 for the details.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level. Particulars are detailed in the relevant section of this report.

PROSPECTS

Acquisition of Boke

With aim to extend the fuel oil processing and trading business in the mainland China, the Group has entered into a new share purchase Agreement (the "New Agreement") on 22 July 2011, to acquire the 70% of equity interest in Zhoushan Boke Power Co. Ltd. ("Boke") and to terminate the old Share Purchase Agreement dated 11 April 2011 to acquire; (i) 100% of equity interest of Boke and; (ii) an option to acquire 100% of equity interest of Zhejiang Yuye Petroleum Co. Ltd. Pursuant to the New Agreement, the considerations for acquiring 70% of equity interest in Boke are approximately RMB33.0 million. The Directors foresee that the Company would be able to increase the market share of oil trading in the mainland China by extending the sales network to the eastern China, as a result of the acquisition. As additional time is required for the fulfillment of the precedent conditions, the Company has entered into a third supplemental agreement on 31 January 2012, pursuant to which the Long Stop Date of the New Share Purchase Agreement has been further extended from 31 January 2012 to 31 March 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

MANAGEMENT DISCUSSION AND ANALYSIS

As the business registration of the change in 70% equity interest of Boke is still in progress, the Group and the vendor have entered into a fourth supplemental agreement on 30 March 2012 pursuant to which the Long Stop Date of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011, 28 November 2011 and 31 January 2012 respectively) has been further extended from 31 March 2012 to 30 June 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

Saved as disclosed above, all other terms and conditions of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011, 28 November 2011 and 31 January 2012 respectively) remain unchanged and in full force and effect.

Electronic Transaction Platform

On 15 September 2011, the Group has entered into Memorandum of Understanding with the China E-Commerce Association Development Fund to develop and operate an electronic transaction platform for petrochemical products. The Directors believe that, upon the completion of the electronic transaction platform, it will allow the Company to enter into the electronic trading market of the petrochemical products, widen the Company's income stream and also bring synergy to the existing business. Please refer to the Company's announcement dated 15 September 2011 for the details.

Strategic Cooperation Agreement with EU China

On 16 October 2011, the Company has entered into the Strategic Cooperation Agreement with EU-China Fund Management Limited (the "EU China") pursuant to which EU China is expected to invest no less than RMB4 billion into the Company within two years from the date of the Strategic Cooperation Agreement. Strategic Cooperation Agreement offers an opportunity to the Group to expand its investment scale in China, including oil refinery, storage and harbor facilities and is a recognition of the Company's business from the market. With the Strategic Cooperation Agreement, the Company could have more capital to further develop its oil trading business, as well as introduce international investors to expand its shareholders base. Please refer to the Company's announcement dated 19 October 2011 for the details.

Letter of Intent for Cooperation:

The Company signed a cooperation letter of intent for cooperation (the "Letter of Intent") with Beijing Black Sea Horizon Investment Holdings Limited（北京黑海宏業投資控股有限公司）and its subsidiaries (the "Beijing Black Sea Group") and Beijing Xuan Fu Real Estate Development Company Limited（北京宣福房地產有限公司("Beijing Xuan Fu") on 10 February 2012 in relation to the negotiation on (1) becoming a substantial shareholder of the Company through share acquisition; and (2) the joint development of various businesses, such as oil imports and exports, oil processing and storage, in China.

The Beijing Black Sea Group and Beijing Xuan Fu are currently establishing a joint venture company, via which they intend to become a substantial shareholder of the Company through acquiring the shares of the Company, aiming to jointly develop various businesses, such as oil imports and exports, oil processing and storage, in China with the Company.

The Beijing Black Sea Group is mainly engaged in local and international investments, including the imports and exports and trading of oil, oil storage, etc. Beijing Xuan Fu is principally engaged in the development and investment in real estate, etc. in major cities in China and has an asset value of approximately RMB5 billion.

The parties to the Letter of Intent are still under negotiation for the concrete terms on share acquisition and business cooperation, which include the shareholding proportion of the joint venture company in the Company upon the share acquisition, the relevant corporate structure and other cooperation details.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. YU WON KONG DENNIS

Aged 62, has been appointed as executive director of the Company since 11 August 2008. Mr. Yu is the chairman and an executive director of the Company. He has over 20 years of experience in financial investment. From 1995 to 2006, Mr. Yu acted as an executive director in several listed companies on the stock exchange in Australia, Frankfurt and NASDAQ respectively, and was responsible for identifying acquisition targets, raising fund, and monitoring direct investment activities of these companies in the PRC. Mr. Yu is also an executive director and the chief executive officer of Kiu Hung Energy Holdings Limited, a company listed on the Stock Exchange.

MR. YUE WAI KEUNG

Aged 59, has been appointed as executive director of the Company since 11 August 2008. Mr. Yue is the chairman of Luen Fat Securities Company Limited is an executive director and the chief executive officer of the Company. He is a Honourary President of both Shantou Committee of the Chinese People's Political Consultative Conference and Shantou Overseas Friendship Association of Guangdong Province. He is also a director of The Overseas Teo Chew Entrepreneurs Association, and a member of Guangdong Overseas Friendship Association. He was a researcher of the Guangdong Provincial Academy of Social Sciences in 1997. He was an executive director of Ruifeng Petroleum Chemical Holdings Limited (formerly known as ThinSoft (Holdings) Inc). He also served as the vice chairman of the Hong Kong Securities Institute. Mr. Yue has been serving as a honorary advisor to The Chamber of Hong Kong Listed Companies since 2002, and as a honourary advisor to the Hong Kong Stockbrokers Association Limited since February 2006. From January 1997 to 2006, he served as a director of the Hong Kong Stockbrokers Association. He was a non-executive director of Hong Kong Exchanges and Clearing Limited ("HKEx") from 2000 to 2003, and the deputy chairman of the Hong Kong Securities Clearing Company Limited ("HKSCC") from 1997 to 2000. Also, he served as a member of the Council of the Hong Kong Stock Exchange Limited ("SEHK") from 1993 to 2000. He was a member of the Election Committee of Financial Services Sector of Legislative Council of Hong Kong from 2000 to 2012. Mr. Yue has over 30 years experience in the securities and futures industry.

MR. GUO JING SHENG

Aged 39, has been appointed as executive director of the Company since 29 February 2012. Mr. Guo received his bachelor degree in finance from China Peking University. Prior to joining the Company, Mr. Guo was the Vice General Manager of Beijing Xuan Fu Real Estate Development Co., Ltd.. From 2007 to 2010, Mr. Guo was appointed as the Assistant President of Citic Guoan Technology Holdings Limited. From 1992 to 2007, Mr. Guo held the department manager and branch manager positions in China Construction Bank Beijing Branch）. Mr. Guo has over 15 years of experience in finance and property investment.

NON-EXECUTIVE DIRECTORS

MR. CHAN KWAN PAK

Aged 55, has been appointed as non-executive director of the Company since 11 August 2008. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Secretaries and Administrators as well as the Hong Kong Institute of Chartered Secretaries. He holds a Bachelor degree (Hons.) in Laws and a Master's degree in business administration. Mr. Chan is currently a consultant who advises on corporate governance issues for a number of companies listed on The Stock Exchange of Hong Kong Limited. Mr. Chan was an Adjudicator of the Registration of Persons Tribunal of the Hong Kong SAR Government from 2005 to 2011. He is also a Council Member and the Honorary Treasurer of the Internet Professional Association.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. CHEN TZYH-TRONG

Aged 54, has been appointed as an independent non-executive director of the Company since 31 October 2001. He is also the chairman of the audit committee and the remuneration committee, and a member of the nomination committee of the Company. Dr. Chen holds a bachelor degree in Laws from the National Taiwan University in Taipei, and a doctorate degree in Laws from the Faculty of Laws, University of London in the United Kingdom. He was a researcher of a trade organisation in London. He served as an executive assistant of a chairman of a public listed company in Hong Kong for several years. In addition, he had been working as a secretary general and an executive director of the Taiwan Business Association (Hong Kong) from 2000 to 2004. He was also a vice president of a financial advisory service company in Hong Kong, Currently, he is working as a city's general-affair advisor (part-time) for Taiwan's Taipei City government and a director (part-time) of the Taiwan Business Association (Hong Kong).

DR. LEE CHUNG MONG

Aged 53, has been appointed as an independent non-executive director of the Company since 31 October 2001. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Lee obtained his doctorate degree in Computer Science from the University of Minnesota, the United States. He was a researcher at the National University of Singapore and a professor of Computer Science at the Hong Kong University of Science & Technology for more than 10 years. In 1999, he was promoted as a Senior Member of the International Institute of Electrical and Electronic Engineering. He has several inventions which were patented in the United Kingdom and the United States. He is now the chairman and chief executive officer of Asia Vision Technology Ltd., and an independent non-executive Director of China Post E-Commerce (Holdings) Limited, a company listed on the Stock Exchange.

MR. YEUNG CHI HUNG

Aged 50, has been appointed as an independent non-executive director of the Company since 30 September 2004. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Yeung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Yeung has over 18 years of experience in accounting and auditing. Mr. Yeung is a certified public accountant (practising) in Hong Kong and the managing director of YCA Partners CPA Limited (formerly known as Yeung, Chan & Associates CPA Limited).

CHIEF OPERATION OFFICER

MR. GAN MINGQIANG

Aged 52, has been appointed as Chief Operation Officer of the Company since 29 February 2012. He is currently the director of Wono Technology Services (GD) Ltd (廣東緯能科技有限公司) and 雲浮緯能網能科技有限公司, and the deputy director of Shenzhen Artificial Intelligence System Engineering Company Limited. Mr. Gan was the general manager of 南海升濟商務有限公司 from 2004 to 2009, and was the general manager of 南海大瀝五洲鋁廠 from 1999 to 2004.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Ruifeng Petroleum Chemical Holding Limited (formerly known as ThinSoft (Holdings) Inc) (the "Company") and of the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 8 to the consolidated financial statements.

CHANGE OF COMPANY NAME

In order to have a more appropriate identification and image, a special resolution approving the change of Company name from "Thinsoft (Holdings) Inc." to "Ruifeng Petroleum Chemical Holdings Limited") was duly passed by the shareholders of the Company on 11 March 2011 and the change of Company name took effect on the same date.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of dividend for the year ended 31 December 2011.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves are set out to Note 24(b) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in note 11 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

Details of the Company's Share Option Scheme are set out in Note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The directors during the year were:

Executive directors

Mr. Yu Won Kong, Dennis (Chairman)
Mr. Yue Wai Keung
Mr. Guo Jing Sheng (appointed on 29 February 2012)

Non-executive director

Mr. Chan Kwan Pak
Mr. Lam Kit Sun (resigned on 6 July 2011)

Independent non-executive directors

Dr. Chen Tzyh-Trong
Dr. Lee Chung Mong
Mr. Yeung Chi Hung

In accordance with Articles 86 and 87 of the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Guo Jing Sheng, Mr. Chan Kwan Pak and Mr. Yeung Chi Hung retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and non-executive directors has entered into a service contract with the Company for a term of two years and each of the independent non-executive directors has entered into a service contract with the Company for one year.

Details of the appointments of the independent non-executive directors are set out in the Corporate Governance Report.

Save as disclosed in Note 34 to the consolidated financial statements, there were no other emoluments, pension and any compensation arrangements for the directors and past directors as is specified in Sections 161 and 161A of the Hong Kong Companies Ordinance (Chapter 32 of the laws of Hong Kong).

The Company confirms that it has received from each of its independent non-executive directors a confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and the Company considers that all the independent non-executive directors are independent.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in Note 34 and 41 to the consolidated financial statements, no contracts of significance to the Group's business to which the Company, its holding company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Long (L) and Short (S) position in ordinary shares of the Company

Name	Beneficial owner	No. of shares held by controlled corporation	Total	Percentage of the issued share capital of the Company
Directors				
Mr. Dennis Yu Won Kong				
(Notes 1 & 2)	44,218,000	1,875,000,000	1,919,218,000	48.0% (L)
(Notes 4)		100,000,000	100,000,000	2.5% (S)
Mr. Yue Wai Keung				
(Notes 1 & 3)	40,000,000	1,875,000,000	1,915,000,000	47.9% (L)
(Notes 4)		100,000,000	100,000,000	2.5 % (S)
Mr. Chan Kwan Pak	3,000,000	–	3,000,000	0.08% (L)
Dr. Chen Tyzh-Trong	3,000,000	–	3,000,000	0.08% (L)
Dr. Lee Chung Mong	3,000,000	–	3,000,000	0.08% (L)
Mr. Yeung Chi Hung	3,000,000	–	3,000,000	0.08% (L)
Chief Executive				
Mr. So Sang Yee	60,000,000	–	60,000,000	1.5% (L)

Notes:

1. Inno Smart Group Limited (Inno Smart) is beneficially owned 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited, which is in turn wholly owned by Mr. Yu Won Kong Dennis ("Mr. Yu"), an executive Director. For the purpose of the Part XV of SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holdings) Ltd is interested in. Mr. Yu is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in. Mr. Yu's spouse, Ho Siu Lan Sandy is deemed to be interested in the Shares directly and indirectly held by Mr. Yu.

3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung ("Mr. Yue"), an executive Director. For the purpose of Part XV of SFO, Mr. Yue is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in. Mr. Yue's spouse, Man Wing Tuen is deemed to be interested in the Shares indirectly held by Mr. Yue.

4. On 17 November 2011,Inno Smart, granted a share charge in favour of Southernpec (HK) Holding Limited. Pursuant to the share charge, Inno Smart agreed to create a charge over 100,000,000 shares, out of the 1,875,000,000 shares held by it.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, so far as was known to any Directors or chief executive of the Company, the following persons or companies (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long (L) and Short (S) position in ordinary shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Inno Smart Group Limited *(Note 1 & 3)*	Beneficial interest	1,875,000,000	46.9% (L)
	Beneficial interest	100,000,000	2.5% (S)
Strong Choice Investments (Holding) Limited	Interest of controlled corporation	1,875,000,000	46.9% (L)
(Note 2)	Interest of controlled corporation	100,000,000	2.5% (S)
Billion Sky Resources Limited	Interest of a controlled corporation	1,875,000,000	46.9% (L)
(Note 2)	Interest of a controlled corporation	100,000,000	2.5% (S)
Ms. Ho Siu Lan, Sandy	Interest of child under 18 or spouse	1,919,218,000	48.0% (L)
(Note 4)	Interest of child under 18 or spouse	100,000,000	2.5% (S)
Ms. Man Wing Tuen	Interest of child under 18 or spouse	1,915,000,000	47.9% (L)
(Note 5)	Interest of child under 18 or spouse	100,000,000	2.5 % (S)
Mr. Chim Pui Chung *(Note 6)*	Interest of a controlled corporation	202,580,000	5.07% (L)
Golden Mount Ltd. *(Note 6)*	Beneficial interest	202,580,000	5.07% (L)

REPORT OF THE DIRECTORS

Notes:

1. For the details of Inno Smart Group Limited, please refer to Notes 1 to 3 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

2. Please refer to Note 2 & 3 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

3. On 17 November 2011,Inno Smart Group Limited, granted a share charge in favour of Southernpec (HK) Holding Limited. Pursuant to the share charge, Inno Smart Group Limited agreed to create a charge over 100,000,000 shares, out of the 1,875,000,000 shares held by it. For the details of Inno Smart Group Limited, please refer to Notes 1 to 3 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

4. Ms. Ho Siu Lan, Sandy is the spouse of Yu Won Kong, Dennis, an executive director of the Company.

5. Ms. Man Wing Tuen is the spouse of Yue Wai Keung, an executive director of the Company.

6. Golden Mount Ltd. is wholly owned by Mr. Chim Pui Chung ("Mr. Chim"). For the purpose of Part XV of SFO, Mr. Chim is deemed to be interested in the shares of the Company which Golden Mount Ltd. is interested in.

Save as disclosed above, there is no person (other than a director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the date of this report, had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

Save as disclosed above, as at 31 December 2011, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, sales to the Group's five largest customers accounted for approximately 23% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 6% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 83% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 37% of the Group's total purchases.

None of the directors, their associates or any shareholder (which to the best knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest suppliers or customers noted above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the year. However, the Board would recommend further enhancement on Company's internal communication, staffing and ability to respond to changes in its business and the external environment in conformity with the Code C2.3.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the GEM Listing Rules during the year under review and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the balance sheet date are set out in note 43 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions as disclosed in Note 41 to the consolidated financial statements

Save as disclosed therein, there were no other transaction to be disclosed as related party transactions in accordance with the requirements of the Hong Kong Financial Reporting Standards.

COMPETING BUSINESS

None of the directors, the substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the year.

AUDITORS

The consolidated financial statements have been audited by Parker Randall who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Yu Won Kong, Dennis
Chairman

Hong Kong
30 March 2012

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Throughout the financial year ended 31 December 2011, the Group had complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code"). The board of Directors (the "Board") has continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2011.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors, which currently comprises seven Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to management include the preparation of annual, interim and quarterly financial statements for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Profiles of Directors and Senior Management. All Directors have given sufficient time and attention to the affairs of the Group. There are three executive Directors, each of whom has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Yu Won Kong Dennis is the executive Director and the chairman of the board of Directors, Mr. Yue Wai Keung is the chief executive officer and the executive Director, and Mr. Guo Jing Sheng, appointed on 29 February 2012, is the executive Director of the Company.

The Chairman is responsible for providing leadership to the board of Directors and ensuring that the board of Directors works effectively, the chief executive officer is responsible for the overall day-to-day management of the Company's business The executive Directors are responsible for the Group's business development and management.

The Company appointed one non-executive Directors and three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Chan Kwan Pak is the non-executive directors and Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong and Mr. Yeung Chi Hung are the independent non-executive Directors. The terms of appointment for non-executive Directors are two years while the terms of appointment for independent non-executive Directors are one year.

Every newly appointed director, if any, is ensured to have a proper understanding on the operations and business of the Group and fully aware of his responsibilities under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing as is necessary to update the Board with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the performance of their duties.

CORPORATE GOVERNANCE REPORT

BOARD PROCESS

Proposed regular board meeting dates for a year are informed to each director at the beginning at the year. Formal notice of at least 14 days will be given in respect of a regular meeting. For special board meeting, reasonable notice will be given. Directors participated, either in person or through other electronic means of communication in the Board meetings. The Board of Directors meets regularly at least 4 times every year. The Directors participated in person or through electronic means of communication. All notices of board meetings were given to all Directors, who were given an opportunity to include matters in the agenda for discussion. The finalised agenda and accompanying board papers were sent to all Directors at least 2 days prior to the meeting. During regular meetings of the Board, the Directors discuss the overall strategy as well as the operation and financial performance of the Group. The Board has reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, approval of major capital transactions and other significant operational and financial matters. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors can also seek independent professional advice in performing their duties at the Company's expense, if necessary. The Company Secretary records the proceedings of each board meeting in detail by keeping detailed minutes, including all decisions by the Board together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection at any reasonable time on request by any Director.

All directors of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

The Company has arranged director and officer insurance cover in respect of legal actions against directors.

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the board of Directors are as follows:

Directors	Attendance
Mr. Yu Won Kong Dennis (Chairman)	15/16
Mr. Yue Wai Keung	13/16
Mr. Guo Jing Sheng (appointed on 29 February 2012)	N/A
Mr. Chan Kwan Pak	15/16
Mr. Lam Kit Sun (resigned on 6 July 2011)	2/16
Dr. Chen Tzyh-Trong	14/16
Dr. Lee Chung Mong	9/16
Mr. Yeung Chi Hung	16/16

Apart from the quarterly board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision.

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005 with written terms of reference revised on 26 March 2012 that are in conformity of the requirement of the CG Code. The chairman of the committee is Dr. Chen Tzyh-Trong, an independent non-executive Director, and other members include Dr. Lee Chung Mong and Mr. Yeung Chi Hung, all are independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee held 1 meeting during the year. All the members of the committee attended the meeting.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee was established in August 2005 and has revised its written terms of reference subsequent to year end, in compliance with the requirements of the CG Code. The chairman of the committee is Dr. Chen Tzyh-Trong, and other members include Dr. Lee Chung Mong and Mr. Yeung Chi Hung, all are independent non-executive Directors.

The role and function of the nomination committee included the recommendation on appointment and removal of Directors.

The nomination committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year.

The nomination committee did not hold any meeting during the year. One meeting was held after year end to nominate the appointment of Mr. Yue Wai Keung as chief executive officer, Mr. Gan Mingqiang as chief operation officer and Mr. Guo Jing Sheng as executive director, and reviews the composition of the board.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non – audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year, the Group, payable to the external auditors amounted to approximately HK$720,000 for audit services and HK$563,000 for non-audit services which was comprised of taxation services fee and other professional fees in relation to interim review and other special one-off corporate reporting exercise.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong, and Mr. Yeung Chi Hung. All of them are independent non-executive Directors. The chairman of the audit committee is Dr. Chen Tzyh-Trong.

The audit committee held 4 meetings during the year. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Dr. Chen Tzyh-Trong	3/4
Dr. Lee Chung Mong	2/4
Mr. Yeung Chi Hung	4/4

The Group's unaudited quarterly results, interim results and annual audited results for the year ended 31 December 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor are set out on page 21 of this report.

INTERNAL CONTROL

The board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31 December 2011, covering financial, operational and compliance controls, together with risk management functions. However, the Board would recommend further enhancement on Company's internal communication, staffing and ability to respond to changes in its business and the external environment in conformity with the Code C2.3.

INVESTOR RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

GOING CONCERN

As disclosed in the Company's announcement dated 1 March 2012 and 28 March 2012, and notes 43 to the consolidated financial statement under the heading "Litigation" mentioning lawsuits against the major subsidiaries of the Group by various plaintiffs, the outcome of which are uncertain to the operation of the Group as at the date of this Report. If the Group does not have sufficient working capital and funding due to such uncertainty and possible unfavourable outcome of these lawsuits, may affect the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

To the shareholders of Ruifeng Petroleum Chemical Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ruifeng Retroleum Chemical Holdings Limited. (the "Company") and its subsidiaries (together the "Group") set out on pages 22 to 79, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 December 2011, and of the Group's profit 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.

EMPHASIS OF MATTER

We would like to draw your attention to Note 43 of the consolidated financial statements which describes, among other things, lawsuits against the major subsidiaries of the Group by various plaintiffs, which the outcome of such lawsuits, are being uncertain to the operation of the Group as at the date of this Report. If the Group does not have sufficient working capital and funding due to such uncertainty and possible unfavourable outcome of these lawsuits and among other matter, to satisfy the operating requirement of the Group, may affect the Group's ability to continue as a going concern. Our opinion is not qualified in this respects.

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229
Hong Kong
30 March 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	11	**1,915,890**	1,198,205
Intangible assets	12	**30,000**	–
Prepaid land lease payments	13	**103,108**	102,091
Goodwill	14	**153,696**	153,696
Available-for-sale financial assets	15	**162**	6,094
Deferred tax assets	16	**–**	74
		2,202,856	1,460,160
Current assets			
Inventories	17	**871,467**	902,338
Trade receivables	18	**24,312**	74,005
Deposits, prepayments and other receivables	19	**938,171**	679,072
Pledged deposits	21	**846,096**	682,591
Cash and cash equivalents	21	**90,156**	25,454
		2,770,202	2,363,460
Total assets		**4,973,058**	3,823,620
Current liabilities			
Trade and bills payables	25	**1,743,334**	1,678,983
Interest-bearing bank and other borrowings	26	**633,967**	432,483
Accruals and other payables	27	**409,213**	842,240
Income tax payables		**–**	474
Amounts due to related companies	41(c)	**–**	519,310
Amount due to a director	28	**25,000**	–
		2,811,514	3,473,490
Non-current liabilities			
Deferred tax liabilities	16	**42,367**	36,781
Convertible bonds	30	**–**	148,173
Long-term payables	29	**1,227,202**	–
		1,269,569	184,954
Total liabilities		**4,081,083**	3,658,444
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	22	**39,983**	26,263
Reserves	24(a)	**851,992**	138,913
Total equity		**891,975**	165,176
Total equity and liabilities		**4,973,058**	3,823,620
Net current (liabilities)		**(41,312)**	(1,110,030)
Net assets		**891,975**	165,176

The consolidated financial statement on page 22 to 79 were approved and authorized for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

Director	*Director*
Yu Won Kong, Dennis	**Yue Wai Keung**

BALANCE SHEET

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**1,098**	–
Intangible assets	*12*	**30,000**	–
Investments in subsidiaries	*9*	**12,857**	12,857
		43,955	12,857
Current assets			
Prepayments and other receivables		**1,183**	235,385
Amounts due from subsidiaries		**1,086,837**	95,850
Cash and cash equivalent	*21*	**2,042**	57
		1,090,062	331,292
Total assets		**1,134,017**	344,149
Current liabilities			
Interest-bearing bank and other borrowings	*26*	**67,000**	–
Accruals and other payables	*27*	**178,739**	13,783
Amount due to subsidiaries		**6,648**	7,919
Amount due to a directors	*28*	**20,000**	–
		272,387	21,702
Non-current liability			
Convertible bonds	*30*	**–**	148,173
Long-term payables		**30,000**	–
		30,000	148,173
Total liabilities		**302,387**	169,875
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*22*	**39,983**	26,263
Reserves	*24(b)*	**791,647**	148,011
Total equity		**831,630**	174,274
Total equity and liabilities		**1,134,017**	344,149
Net current assets		**817,675**	309,590
Net assets		**831,630**	174,274

Director	*Director*
Yu Won Kong, Dennis	**Yue Wai Keung**

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	*31*	**5,320,023**	8,219
Cost of sales	*32*	**(5,088,499)**	(1,152)
Gross profit		**231,524**	7,067
Other income	*31*	**16,721**	69
Selling and distribution costs	*32*	**(19,187)**	(299)
Administrative expenses	*32*	**(93,195)**	(32,073)
Other expenses		**(720)**	–
Finance costs	*33*	**(107,313)**	–
Profit/(Loss) before income tax		**27,830**	(25,236)
Income tax	*35*	**(3,744)**	–
Profit/(Loss) for the year attributable to equity holders of the Company		**24,086**	(25,236)
Profit/(Loss) per share for loss attributable to the ordinary equity holders of the Company			
Basic (HK cents per share)	*38*	**0.67**	(0.96)
Diluted (HK cents per share)	*38*	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit/(Loss) for the year attributable to equity holders of the Company	**24,086**	(25,236)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	**20,871**	941
Change in fair value of available-for-sale financial assets	**–**	(1,359)
Total other comprehensive income/(loss) for the year, net of income tax	**20,871**	(418)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	**44,957**	(25,654)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Equity component of convertible bonds HK$'000	Share-based payment reserve HK$'000	Currency translation reserve HK$'000	Available-for-sale financial assets HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2010	25,063	11,347	6,840	–	–	3,895	3,136	(20,466)	29,815
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(25,236)	(25,236)
Total other comprehensive income	–	–	–	–	–	941	(1,359)	–	(418)
Total comprehensive income/(loss)	–	–	–	–	–	941	(1,359)	(25,236)	(25,654)
Issue of shares by placement	1,200	75,000	–	–	–	–	–	–	76,200
Share issue expense	–	(2,279)	–	–	–	–	–	–	(2,279)
Issue of convertible bonds	–	–	–	87,094	–	–	–	–	87,094
Balance at 31 December 2010	26,263	84,068	6,840	87,094	–	4,836	1,777	(45,702)	165,176

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Equity component of convertible bonds HK$'000	Share-based payment reserve HK$'000	Currency translation reserve HK$'000	Available-for-sale financial assets HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 31 December 2010 and at 1 January 2011	26,263	84,068	6,840	87,094	–	4,836	1,777	(45,702)	165,176
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	24,086	24,086
Total other comprehensive income	–	–	–	–	–	20,871	–	–	20,871
Total comprehensive income	–	–	–	–	–	20,871	–	24,086	44,957
Issue of shares by placement	2,920	94,146	–	–	–	–	–	–	97,066
Share issue expense	–	(11,112)	–	–	–	–	–	–	(11,112)
Issue of convertible bonds	10,800	670,583	–	(87,094)	–	–	–	–	594,289
Share option	–	–	–	–	406	–	–	–	406
Employee share option benefits	–	–	–	–	2,970	–	–	–	2,970
Disposal of available-for-sale financial assets	–	–	–	–	–	–	(1,777)	–	(1,777)
Balance at 31 December 2011	**39,983**	**837,685**	**6,840**	**–**	**3,376**	**25,707**	**–**	**(21,616)**	**891,975**

The notes on pages 28 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash (used in) /generated from operations	39	(688,092)	193
Net cash flows from (used in) operating activities		(688,092)	193
Cash flows from investing activities			
Proceeds from disposal of available-for-sale financial assets		4,319	–
Proceeds from disposal of property, plant and equipment		65	–
Acquisition of property, plant and equipment		(701,359)	–
Acquisition of subsidiaries	20	(684,943)	(60,700)
Interest received	31	14,419	69
Net cash flows used in investing activities		(1,367,499)	(60,631)
Cash flows from financing activities			
Increase in long-term payables		1,197,202	–
Proceeds from exercise of share option		406	–
Proceeds from loan and borrowing		1,015,987	–
Proceed from issue of share		97,066	76,200
Conversion of convertible bonds		679,767	–
Share issue expenses		(11,112)	(2,279)
Repayment of loan and borrowing		(838,427)	–
Net cash flows from financing activities		2,140,889	73,921
Net increase/(decrease) in cash and cash equivalents		85,298	13,483
Cash and cash equivalents at beginning of year		25,454	11,448
Effect of exchange rate changes		(20,596)	523
Cash and cash equivalents at end of year	21	90,156	25,454

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL INFORMATION

Ruifeng Petroleum Chemical Holdings Limited (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (together the "Group") are set out in note 9 to the consolidated financial statements.

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Unit 818 to 822, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and the address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

The special resolution approving the change of Company name from "Thinsoft (Holdings) Inc" to "Ruifeng Petroleum Chemical Holdings Limited" was duly passed by the shareholders of the Company on 11 March 2011 and the change of Company name took effect on the same date.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company on 30 March 2012.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Adoption of going concern basis

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had uncertainty relate to the outcome of the lawsuits occurred after balance sheet date as disclosed in the page 27 under the heading "Litigation". The financial impact and outcome of these proceedings can not be estimated with reasonable certainty at this preliminary stage. If the Group does not have sufficient working capital and funding due to such uncertainty and possible unfavourable outcome of these lawsuits and among other matter, to satisfy the operating requirement of the Group, may affect the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments..

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised HKFRSs (which include all HKFRSs Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2011.

The adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFR7 (Amendments)	Transfers of Financial Assets	1 July 2011
HKFRS7 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Join Ventures	1 January 2013
HKAS32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HK(IFRIC) Int – 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

5. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 Financial instruments: Recognition and measurement either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill (Continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquire over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Exclusive rights of procuring fuel oil processing contracts

Exclusive rights of procuring fuel oil processing contracts is stated at cost less accumulated amortisation and impairment losses and is amortised on the basis of the contracts procured over the estimated contracts volume committed by the exclusive right.

Property, plant and equipment

The following properties held for own use are stated in the consolidated balance sheet at their revalued amounts, being their fair values at the date of the revaluation less any subsequent accumulated depreciation:

- leasehold land and buildings
- plant and machinery

Revaluations are performed with sufficient regularity to ensure that the carrying amounts of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The following items of property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses:

- equipment, furnitures and fixture
- motor vehicles

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of construction in progress includes the cost of materials, direct labours, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs, if any.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land shorter of the unexpired lease terms	50 years
–	Plant and machinery	10-20 years
–	Other items of plant and equipment	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than trade and other receivables, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Financial asset

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or not, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, amounts due from related companies and associates, client trust bank balances and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial asset (Continued)

Subsequent measurement (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale assets valuation reserve until the assets is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises, comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised costs, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals, amounts due to directors and derivative financial instruments.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial assets at amortised cost

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible bonds

Convertible bonds issued by the Company that contain the liability, conversion option and early redemption option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, both the liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds (Continued)

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in consolidated income statement upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flow (where the effect is material).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred. The assets of the scheme are held separately from those of the Group in an independent administered fund.

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision will be made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Share-based payments

The Group operates equity-settled share-based compensation scheme ("Scheme") to remunerate its employees.

For share options granted under the Scheme, the fair value of the employees' services rendered in exchange for the grant of the options is recognised as an expense immediately and credited to the share-based payment reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting periods. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the consolidated income statement, and a corresponding adjustment to the share-based payment reserve.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. The equity amount is recognised in the share-based payment reserve until the option is exercised when it is transferred to the share premium account if the options lapse unexercised, the related share-based payment reserve is transferred directly to retained profits.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is different from the Company's functional currency of US dollar. As the Company is listed on The Growth Enterprise Market of The Hong Kong Stock Exchange Limited, the directors have adopted Hong Kong dollar as the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. Management periodically analyses and reviews measures to manage its exposure to these financial risks. Generally, the Group adopts a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

Risk management is carried out by the finance department which identifies and evaluates financial risks in close co-operation within the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Singapore dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from recognised assets as mentioned above, the Group ensures that the US dollar deposits placed with banks are within the limit set by the Group. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2011, if the US dollar had weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, post-tax income for the year would have been HK$14,667 higher/lower (2010: HK$424,953 higher/lower), mainly as a result of foreign exchange losses/gains on translation of bank deposits and trade receivables and payables which were denominated in US dollar held by ThinSoft Pte Ltd. Since Hong Kong dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

6 FINANCIAL RISK MANAGEMENT (Continued)

6.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents. In view of the short maturity of its bank deposits, impact from changes in interest rates is considered to be minimal. Available-for-sale financial assets and other financial assets and liabilities do not have material interest rate risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding trade receivables and loan receivable. For banks and financial institutions, deposits are only placed with reputable banks.

For credit exposures to customers sales to customers are settled in cash or using major credit cards.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables	**The Group**	
	2011	2010
	HK$'000	HK$'000
Counterparties without external credit rating		
Existing customers (more than 6 months)		
with no defaults in the past	**24,312**	74,005
Total trade receivables	**24,312**	74,005

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and available-for-sale financial assets. The Group maintains its liquidity mainly through funding generated from the daily operation of its subsidiaries and by keeping sufficient cash and cash equivalents. As at 31 December 2011, the cash and cash equivalents maintained by the Group totaled HK$90,156,087 (2010: HK$25,453,820).

6.2 Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

6 FINANCIAL RISK MANAGEMENT (Continued)

6.2 Capital risk management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. Net debt includes interest-bearing bank and other borrowings, an amount due to the ultimate holding company, loans from associates, trade, bills and other payables, accruals, less cash and cash equivalents, and excludes discontinued operation. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2011 **HK$'000**	2010 HK$'000
Interest-bearing bank and other borrowings	**633,967**	432,483
Trade payables and bills payables	**1,743,334**	1,678,983
Other payables and accruals	**409,213**	842,240
Amounts due to related companies	**–**	519,310
Amount due to directors	**25,000**	–
Less: Cash and cash equivalent	**(90,156)**	(25,454)
Less: Pledged deposits	**(846,096)**	(682,591)
Net debt	**1,875,262**	2,764,971
Total equity and liabilities	**4,973,058**	3,823,620
Gearing ratio	**38%**	72%

6.3 Fair value estimation

The Group's financial instruments that are measured in the balance sheet at fair value are required the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

Assets	**Level 1** HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Available-for-sale financial assets	–	–	162	162

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm』s length basis. The quoted market price used for financial assets held by the Group is the current bid price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$153,696,498 (2010: HK$153,696,498).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

For the year ended 31 December 2011, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Details of the business segments are as follows:

(i) the software segment – provision of software solutions;

(ii) the engineering segment – provision of engineering services;

(iii) the upgrade kits segment – sale of the Group's Thin client solutions related to hardware peripherals and accessories;

(iv) the vertical market solutions segment – provision of the Group's Thin client solutions for several vertical market applications such as call centres, kiosks, point-of-sale and industrial applications; and

(v) the processed fuel oil segment – heavy oil processing, trading of fuel oil and related products, and leasing of storage tanks and related facilities to its customers.

Although the Group's products and services are sold to/rendered in Europe, US, Hong Kong and China, Singapore, other Asia Pacific markets and other overseas markets, the chief operating decision maker of the Group regularly reviews the consolidated financial statements by business segment to assess performance and make resources allocation decisions.

The segment results for year ended 31 December 2011 are as follows:

	Software HK$'000	Upgrade kits HK$'000	Vertical market solutions HK$'000	Processed fuel oil HK$'000	Group HK$'000
Total segment revenue and revenue from external customers	5,856	21	12	5,314,134	5,320,023
Cost of sales	–	(1)	(11)	(5,088,487)	(5,088,499)
Segment gross profit	5,856	20	1	225,647	231,524
Other income					16,721
Unallocated operating costs					(112,985)
Finance costs					(107,313)
Other losses					(117)
Profit before tax					27,830
Income tax expense *(Note 33)*					(3,744)
Profit for the year attributable to equity holders of the Company					24,086

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 SEGMENT INFORMATION (Continued)

The segment results for year ended 31 December 2010 are as follows:

	Software HK$'000	Upgrade kits HK$'000	Vertical market solutions HK$'000	Group HK$'000
Total segment revenue and revenue from external customers	8,012	202	5	8,219
Cost of sales	(1,081)	(69)	(2)	(1,152)
Segment gross profit	6,931	133	3	7,067
Other income				69
Unallocated operating costs				(32,372)
Loss before tax				(25,236)
Income tax expense *(Note 33)*				–
Loss for the year attributable to equity holders of the Company				(25,236)

The Group's revenue by geographical location are based on the location of the customers.

	2011 HK$'000	2010 HK$'000
Revenue:		
Europe	**2,385**	2,251
US	**2,124**	3,009
Asia Pacific except Hong Kong, China and Singapore	**1,196**	2,734
Hong Kong and China	**5,314,258**	114
Singapore	**26**	43
Other countries	**34**	68
Total	**5,320,023**	8,219

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 SEGMENT INFORMATION (Continued)

The Group's total assets by geographical location, which is determined by the country in which the assets are located, is as follows:

	2011 HK$'000	2010 HK$'000
Total assets:		
Hong Kong and China	**4,959,061**	3,812,340
Singapore	**13,997**	5,349
Vietnam	**–**	5,931
Total	**4,973,058**	3,823,620

9 INVESTMENTS IN SUBSIDIARIES

	The Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost *(Note)*	**12,857**	12,857

The balances with subsidiaries are unsecured interest free and have no fixed terms of repayment. The carrying amounts of these accounts approximate to their fair value.

Note: The following list is a list of subsidiaries as at 31 December 2011:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
ThinSoft Investment Inc ("ThinSoft BVI")	The British Virgin Islands ("BVI"), limited liability company	Investment Holding in Hong Kong	100 ordinary shares of 1 US dollar each	100%[1]
ThinSoft Inc	BVI, limited liability company	Holding of intellectual properties in Hong Kong	1 ordinary shares of 1 US dollar each	100%
ThinSoft Pte Ltd	Singapore, limited liability company	Development and distribution of Thin Computing solutions and related products in Singapore	1,500,000 ordinary shares of 1 Singapore dollar each	100%
ThinSoft investment Holdings Ltd	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary shares of 1 US dollar each	100%[1]
ThinSoft Management Ltd	Provision of management services in Hong Kong	1 ordinary shares of 1 US dollar each	1 ordinary shares of 1 US dollar each	100%[1]

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 INVESTMENTS IN SUBSIDIARIES

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Fame Trade International Ltd	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary shares of 1 US dollar each	100%[1]
Sunco Development Ltd	Hong Kong, limited liability company	Not yet commenced operations in Hong Kong	1 ordinary shares of 1 US dollar each	100%
China Base International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1.00 each	100%
Foshan Ruifeng Petroleum and Chemical Fuel Company Limited ("Ruifeng")	China, limited liability company	Fuel oil processing in China	Paid-in capital of RMB85,000,000	100%
Foshan Suifeng Fossil Fuel Company Limited ("Suifeng")	China, limited liability company	Fuel oil trading in China	Paid-in capital of RMB5,000,000	100%
Foshan Beili Fuel Storage Company Limited ("Beili")	China, limited liability company	Leasing of storage tanks and related facilities in China	Paid-in capital of RMB85,000,000	100%
Foshan Chang Liang Chemical Limited ("Changliang")	China, limited liability company	Not yet commenced operations in China	Paid-in capital of RMB100,000	100%
Foshan Sui Da Fuel Company Limited ("Suida")	China, limited liability company	Investment holding in China	Paid-in capital of RMB100,000	100%

[1] *Shares held directly by the Company*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

10 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

Group

	Loans and receivables HK$'000	**Avaiable-for-sale financial assets** HK$'000	**Total** HK$'000
Assets as per balance sheet			
31 December 2011			
Avaiable-for-sale financial assets	–	162	162
Trade receivables	24,312	–	24,312
Financial assets included in prepayments, deposits and other receivables	938,171	–	938,171
Pledged deposits	846,096	–	846,096
Cash and cash equivalents	90,156	–	90,156
Total	1,898,735	162	1,898,897
Assets as per balance sheet			
31 December 2010			
Avaiable-for-sale financial assets	–	6,094	6,094
Trade receivables	74,005	–	74,005
Financial assets included in prepayments, deposits and other receivables	679,072	–	679,072
Pledged deposits	682,591	–	682,591
Cash and cash equivalents	25,454	–	25,454
Total	1,461,122	6,094	1,467,216

Group

	Other financial liabilities	
	2011 **HK$'000**	2010 HK$'000
Liabilities as per consolidated balance sheet		
Trade and bills payables	**1,743,334**	1,678,983
Accruals and other payables	**409,213**	842,240
Interest-bearing bank and other borrowings	**633,967**	432,483
Amounts due to related companies	**–**	519,310
Amount due to directors	**25,000**	–
Convertible bonds	**–**	148,173
Total	**2,811,514**	3,621,189

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

10 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

Company

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries	**1,086,837**	95,850
Financial assets included in prepayments, deposits and other receivables	**1,183**	235,385
Cash and cash equivalents	**2,042**	57
Total	**1,090,062**	331,292

	Other financial liabilities	
	2011	2010
	HK$'000	HK$'000
Liabilities as per balance sheet		
Interest-bearing bank and other borrowings	**67,000**	–
Amounts due to subsidiaries	**6,648**	7,919
Accruals and other payables	**178,739**	13,783
Convertible bonds	**–**	148,173
Amount due to directors	**20,000**	–
Total	**272,387**	169,875

11 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010						
At 1 January 2010, net of accumulated depreciation and impairment	–	–	–	–	–	–
Acquisition of subsidiaries *(Note 20)*	379,702	793,777	556	2,778	21,392	1,198,205
At 31 December 2010, net of accumulated depreciation and impairment	379,702	793,777	556	2,778	21,392	1,198,205
At 31 December 2010:						
At cost	399,916	941,875	1,111	4,059	21,392	1,368,353
At valuation	–	(10,640)	–	–	–	(10,640)
Accumulated depreciation and impairment	(20,214)	(137,458)	(555)	(1,281)	–	(159,508)
Net carrying amount	379,702	793,777	556	2,778	21,392	1,198,205

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (Continued)

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 January 2011	399,916	931,235	1,111	4,059	21,392	1,357,713
Additions	1,793	1,635	1,466	1,700	694,766	701,360
Disposal	–	–	–	(189)	–	(189)
Transferred from CIP	4,093	9,811	2,934	985	(17,823)	–
Exchange realignment	19,913	47,342	146	255	15,125	82,781
At 31 December 2011	425,715	990,023	5,657	6,810	713,460	2,141,665
Depreciation and impairment						
At 1 January 2011	(20,214)	(137,458)	(555)	(1,281)	–	(159,508)
Charge for the year	(8,777)	(47,550)	(474)	(472)	–	(57,273)
Disposal	–	–	–	155	–	155
Exchange realignment	(1,178)	(7,862)	(38)	(71)	–	(9,149)
At 31 December 2011	(30,169)	(192,870)	(1,067)	(1,669)	–	(225,775)
Carrying Amounts						
At 31 December 2011	395,546	797,153	4,590	5,141	713,460	1,915,890
At 31 December 2010	379,702	793,777	556	2,778	21,392	1,198,205

The Group's buildings and machinery located in the PRC, which, with carrying amounts HK$1,897,777,546 has been pledged to secure the bank loans *(See Note 26)*.

As at 31 December 2011, the construction in progress mainly represents the construction cost increased for the hydrogenation and expansion of the coking system of the Group of amounting to approximately HK$708 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. OTHER INTANGIBLE ASSETS

Group and Company

	HK$'000
Cost	
At 31 December 2010 and 1 January 2011	–
Additions	30,000
At 31 December 2011	30,000
Accumulated Amortisation and Impairment	
At 31 December 2010 and 1 January 2011	–
Charge for the year	–
At 31 December 2011	30,000
Carrying Amounts	
At 31 December 2011	30,000
At 31 December 2010	–

The other intangible assets represents the exclusive rights of procuring fuel oil processing contracts through a trading company from other counterparts in the same industry. The trading company itself has already placed a fuel oil processing contract for 4-year with monthly fuel oil processing contract volume about 100,000 tonnes per month commencing from year 2012. The exclusive right for such procurement has provided the Group with several fuel oil processing commitments from customers for the forthcoming 4-year period with an aggregate monthly subcontracting refinery volume for an additional 100,000 tonnes from year 2012.

13 PREPAID LAND LEASE PAYMENTS

	2011 **HK$'000**	2010 HK$'000
Carrying amount at 1 January	**102,091**	–
Acquisition of subsidiaries *(Note 20)*	**–**	39,740
Surplus on revaluation	**–**	62,351
Accumulated amortization	**(951)**	–
Exchange realignment	**1,968**	–
Carrying amount at 31 December	**103,108**	102,091

The leasehold land located in the PRC with a carrying value of approximately HK$103,107,818 (2010: HK$102,090,796) has been pledged to secure the bank loans *(See Notes 26)*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

14 GOODWILL

Goodwill is arising on the acquisition of Ruifeng Group as at 31 December 2010, which represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

The Goodwill of HK$153,696,498 has been assessed by an independent third party and subject to impairment test, resulted with no need to provide impairment. Thus, the management concluded that there is no impairment of such goodwill. (Detailed calculation please see Note 20)

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011 **HK$'000**	2010 HK$'000
Unlisted equity investment in China and Hong Kong	**162**	163
Unlisted equity investment in Vietnam	**–**	5,931
Total	**162**	6,094

During the year, impairment loss of HK$nil (2010:HK$ 1,358,996) was recognized in the consolidated statement of comprehensive income for the year ended 31 December 2011.

The unlisted equity investments in Hong Kong and Vietnam are denominated in Hong Kong and US dollars respectively.

The unlisted investment fund in Vietnam is stated at fair value which is based on the market value of the equity investments, which are listed either on Hochiminh Stock Exchange or Hanoi Stock Exchange, composing the portfolio as at 31 December 2011 and 2010.

The unlisted equity investment in Hong Kong, which is engaged in the software development business in China, is stated at fair value which is based on its share of the net assets of the unlisted company as at 31 December 2011 and 2010.

The maximum exposure to credit risk of the available-for-sale financial assets at the reporting date is the carrying value of the unlisted equity investment in Hong Kong and the fair value of the unlisted investment fund in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

16 DEFERRED TAX – GROUP

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority.

	2011 HK$'000	2010 HK$'000
Deferred tax assets recognised in the consolidated balance sheet	**–**	74
Deferred tax liabilities recognised in the consolidated balance sheet	**(42,367)**	(36,781)
	(42,367)	(36,707)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:	**Depreciation allowance in excess of related depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
As at 1 January 2010	–	68	68
Acquisition of subsidiaries *(Note 20)*	(36,781)	–	(36,781)
Exchange difference	–	6	6
As at 31 December 2010	(36,781)	74	(36,707)
Exchange difference	(1,916)	–	(1,916)
Credited/(Charged) to the consolidated income statement during the year *(Note 35)*	(3,670)	(74)	(3,744)
As at 31 December 2011	(42,367)	–	(42,367)

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group has unrecognised tax assets of HK$127,539,159 (2010: HK$8,674,999) arising from accumulated tax losses of HK$524,621,822 (2010: HK$53,185,949), subject to the assessment and agreement by the tax authorities, to carry forward against future taxable income. These tax losses have not been recognised due to the uncertainty of their future recoverability. The tax losses do not have expiry dates.

Deferred tax liabilities are recognized for Ruifeng Group's depreciation allowance in excess of related depreciation by HK$169,469,620 (2010: HK$147,123,129), and the applicable tax rate was 25% (2010: PRC 25%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

17 INVENTORIES – GROUP

	2011 HK$'000	2010 HK$'000
Raw materials	838,069	570,834
Finished goods	33,398	331,504
Total	871,467	902,338

The Group has pledged its inventories with book values of approximately HK$871,467,004 (2010: HK$168,057,351) as of 31 December 2011 to secure its banking facilities bank loans *(See Note 26)*.

18 TRADE RECEIVABLES – GROUP

	2011 HK$'000	2010 HK$'000
Trade receivables	24,312	74,005

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 45 to 60 days.

At 31 December 2011 and 2010, the ageing analysis of trade receivables based on invoice date was as follows:

	2011 HK$'000	2010 HK$'000
1-30 days	810	9,710
31-60 days	–	33,872
61-90 days	702	11,300
Over 90 days	22,800	19,123
Total	24,312	74,005

As at 31 December 2011 and 2010, trade receivables were neither past due nor impaired.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

18 TRADE RECEIVABLES – GROUP (Continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011	2010
	HK$'000	HK$'000
US dollar	**–**	3
Singapore dollar	**251**	181
RMB	**24,061**	73,821
Total	**24,312**	74,005

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES-GROUP AND COMPANY

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**1,311**	341,979	**5**	–
Other receivables *(note)*	**797,821**[2]	242,123[1]	**981**	235,385[1]
Deferred expenses	**139,039**	94,970	**197**	–
Total	**938,171**	679,072	**1,183**	235,385

Note:

1. The balance mainly represents the other receivables from the fund from issuing convertibles bonds, which was held by the placing agent, as at 31 December 2010.

2. The balance mainly represents certain quality guarantee deposits to customers of amounting to HK$267 million and the non-trade balance with the suppliers of the Group of amounting to HK$422 million.

20 BUSINESS COMBINATIONS

On 31 December 2010, the Group acquired a 100% interest in Foshan Ruifeng Petroleum and Chemical Fuel Co., Ltd, Foshan Suifeng Fossil Fuel Co., Ltd and Foshan Beili Fuel Storage Co., Ltd. (collectively, "Ruifeng Group") from the third parties Mr. Zhao Wen Bo and Mr. Wang Min (the "Vendor"). Ruifeng Group is engaged in the manufacture and sales of fuel oil. The acquisition was made as part of the Group's strategy to develop its market share of products in PRC.

The total consideration for the acquisition is RMB630,000,000 (equivalent to approximately HK$737,408,890) and will be settled by the Company in the following manner:

(i) HK$81,632,653 (equivalent to approximately RMB72,000,000), being the deposit, has already been paid by the Company to the vendors' nominee in cash before signing of the Agreement. As of 31 December 2009, HK$11,400,000 was already paid by the Company to the Vendor;

(ii) RMB228,000,000 (equivalent to approximately HK$267,951,581) will be paid in cash within one month after date of completion;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 BUSINESS COMBINATIONS (Continued)

(iii) RMB240,000,000 (equivalent to approximately HK$282,054,295) is payable within 10 business days after (i) the completion of the Tranche II Convertible Bonds ("CB") Placing; (ii) the provision by the vendors of a pro forma combined management accounts of the Ruifeng Group for the 12 months ending 31 December 2010 showing a net profit after tax and extraordinary or exceptional items of not less than RMB70,000,000 (equivalent to approximately HK$82,265,836, whichever is later; and

(iv) RMB90,000,000 (equivalent to approximately HK$105,770,361) is payable within 10 business days after (i) the completion of the Tranche II CB Placing; (ii) the provision by the Vendors a pro forma combined financial statements of the Ruifeng Group which has been reviewed by the auditor designated by the Company showing a net profit after tax and extraordinary or exceptional items for the 12 months ending 31 December 2010 of not less than RMB70,000,000 (equivalent to approximately HK$82,265,836), whichever is later.

The purchase consideration for the acquisition was in the form of cash by issuing 120,000,000 common shares of HK$76.2 million and Convertible Bonds *(See note 30).*

The Group incurred transactions cost of HK$13.9 million for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

The fair values of the identifiable assets and liabilities of Ruifeng Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	1,198,205
Prepaid land lease payments	102,091
Inventories	901,883
Trade receivables	73,821
Deposits, prepayments and other receivables	443,677
Cash and cash equivalents	20,932
Pledged deposits	682,591
Interest-bearing bank and other borrowings	(432,483)
Trade and bills payables	(1,678,650)
Receipt in advance	(149,994)
Accruals and other payables	(21,796)
Amounts due to related companies	(519,310)
Income Taxes payable	(474)
Deferred tax liabilities	(36,781)
Total identifiable net assets at fair value	583,712
Goodwill on acquisition	153,696
Satisfied by cash	737,408

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of the Ruifeng Group is as follows:

Acquisition cash flow effect for year 2010	HK$'000
Cash consideration	(81,632)
Cash and bank balances acquired	20,932
Net outflow of cash and cash equivalents included in cash flows from investing activities	(60,700)
Transaction costs of the acquisition included in cash flow from operating activities	(13,861)
Acquisition cash flow effect for year 2011	
Cash consideration	(684,943)
Exchange realignment	8,235
Net outflow of cash and cash equivalents included in cash flows from investing activities	(676,708)

Since its acquisition, Ruifeng Group contributed HK$2,967,590,829 to the Group's turnover and HK$115,383,575 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$2,975,810,200 and HK$90,147,985, respectively.

21 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP AND COMPANY

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand	**93**	83	**2**	7
Cash at bank	**934,603**	705,409	**2,040**	50
Short-term bank deposits	**1,556**	2,553	**–**	–
	936,252	708,045	**2,042**	57
Less: Pledge time deposits:	**–**	–	**–**	
Pledge for bills payables	**(846,096)**	(682,591)	**–**	–
Cash and cash equivalents	**90,156**	25,454	**2,042**	57

Short-term bank deposits at the end of the reporting period have an average maturity of 31 days (2010: 31 days) and earning interests at 0.1% (2010: 0.1%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollar	**1,757**	3,655	**–**	–
Hong Kong dollar	**2,265**	57	**2,042**	56
Singapore dollar	**479**	809	**–**	–
RMB	**85,655**	20,933	**–**	1
Others	**–**	–	**–**	–
	90,156	25,454	**2,042**	57

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 SHARE CAPITAL

	Ordinary shares of HK$0.01 each	
	No. of shares	HK$'000
Authorised:		
At 1 January 2011 and 31 December 2011	10,000,000,000	100,000
At 31 December 2011	**10,000,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2010 and 31 December 2009	2,506,275,000	25,063
Issue of shares by placement	120,000,000	1,200
At 31 December 2010	2,626,275,000	26,263
Issue of shares by conversion of convertible bonds	1,080,000,000	10,800
Issue of shares by placement	292,000,000	2,920
At 31 December 2011	**3,998,275,000**	**39,983**

On 17 November 2011, Inno Smart Group Limited ("Inno Smart") a controlling shareholder of the Company granted a share charge (the "Share Charge") in favour of Southernpec (HK) Holding Limited ("Southernpec"). Pursuant to the Share Charge, Inno Smart has agreed to create a charge over 100,000,000 Shares (representing approximately 2.655% of the issued shares of the Company), out of the 1,875,000,000 Shares held by it. The Share Charge has been entered into as a security for a debt repayment agreement among the Company, Inno Smart, Southernpec, Southernpec Corporation and Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd ("Foshan Ruifeng") dated 17 November 2011 for the repayment of debt incurred by Foshan Ruifeng, a wholly-owned subsidiary of the Company, to Southernpec of up to RMB265,498,000.

23 SHARE OPTION SCHEMES – GROUP AND COMPANY

(a) Pre-IPO share option scheme

The Company has a pre-IPO share option scheme (the "Pre-Scheme"). On 2 February 2002, the Pre-Scheme was approved pursuant to a written resolution of the sole shareholder of the Company. The purpose of the Pre-Scheme is to recognise the contribution of certain directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company had granted pre-IPO share options to 26 employees (including four executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per placing share. Factors taken into consideration for the discount are based on the seniority, contributions and as part of the remuneration package to the relevant grantee. No further share options would be granted under the Pre-Scheme after listing of the Company's shares on the GEM. The Pre-Scheme contains no provision on the maximum entitlement of a grantee under the Pre-Scheme. All these share options were granted on 2 February 2002 and maybe exercised in the following manner:

(i) 50% of the share options so granted to him/her(rounded down to the nearest whole number) after the expiry of 12 months from 27 February 2002, the date on which the Company's shares are first listed on the GEM;

(ii) 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 24 months from 27 February, 2002; and

(iii) the remaining 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 36 months from 27 February 2002,

and in each case, not later than five years from 2 February 2002 (date of acceptance of the share options).

Each grantee has paid HK$1 to the Company as the consideration for such grant.

The Pre-Scheme contains no provision on the maximum entitlement of a grantee under the Pre-Scheme. All share options granted under the Pre-scheme lapsed during the year ended 31 December 2007.

The Group elected not to apply HKFRS 2 Share based Payments to equity instruments that were granted on or before 7 November, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

23 SHARE OPTION SCHEMES – GROUP AND COMPANY (Continued)

(b) Post-IPO share option scheme

On 2 February 2002, a share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Post-Scheme include directors of the Company or any of its subsidiaries, including independent non executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, or minority shareholder in the Company's subsidiaries.

The Share Subdivision has led to an adjustment to the number of shares to be issued by the Company upon exercise of the options. The maximum number of shares of the Company which maybe issued upon exercise of the options which may be granted under the Post-Scheme has been increased from 50,000,000 shares to 250,000,000 shares, representing approximately 6.25% of the issued share capital of the Company as at 31 December 2011 (2010: 9.52%).

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-Scheme and other schemes(including the Pre-Scheme) of the Company must not exceed 30% of the Company's shares in issue at any time. A nominal consideration of HK$1 is payable by the grantee upon acceptance of a grant.

The subscription price for shares under the Post-Scheme maybe determined by the board of Directors at its absolute discretion but in any event will not be less than the higher of: (i) the nominal value of the shares; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (iii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option.

Any grant of share options to a director, chief executive, substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee). Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The share options granted maybe exercised at any time during the period commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of Directors which shall not be more than 10 years from the date on which the share option is deemed to be granted and accepted. The Post-Scheme remains in force for a period of 10 years with effect from 2 February 2002.

No share options were granted by the Company under the Post-Scheme as at 31 December 2011 and up to the date of approval of these financial statements.

(c) Share option scheme

On 22 August 2011, The Company has conditionally resolved to grant an aggregate of 246,900,000 share option to the Grantees. The Share Option Scheme shall be valid and effective for 3 or 4 years with expiry date of 22 August 2014 and 22 August 2015. Pursuant to the Share Option Scheme, the Board may grant options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group to subscribe for shares of the Company at a price determined by the board of Directors at its absolute discretion but in any event will not be less than the higher of: (i) the nominal value of the shares; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (iii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option.

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23 SHARE OPTION SCHEMES – GROUP AND COMPANY (Continued)

(c) Share option scheme (Continued)

The grantees may accept the offer of options by paying HK$1 as the consideration of the grant to the Company within 28 days from the date of offer. Any offer which is not accepted within such period will be deemed to have been irrevocably declined.

In accordance with the scheme, the Options have the following features:

Tranche	1	2	3	Subtotal:
Date of Grant	22 August 2011	22 August 2011	22 August 2011	
Date of Expiry	22 August 2014	22 August 2014	22 August 2015	
Exercise price	HKD 0.706	HKD 1.059	HKD 1.376	
Earliest Exercise date	22 February 2012	22 February 2013	22 February 2014	
No. of share options issued				
CEO	20,000,000	20,000,000	20,000,000	60,000,000
Directors	61,500,000	61,500,000	N/A	123,000,000
Independent Directors	4,500,000	4,500,000	N/A	9,000,000
Other employees	27,450,000	27,450,000	N/A	54,900,000
Total:	113,450,000	113,450,000	20,000,000	246,900,000

No share option was exercised during the year 31 December 2011.

The fair value of options granted under the Share Option Scheme, amounted to HK$2,970,467. The fair value values of the outstanding options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

	CEO	CEO	CEO	Directors	Directors	Independent Directors	Independent Directors	Other employees	Other employees
Stock price at year end (HKD)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Exercise price (HKD)	0.706	1.059	1.376	0.706	1.059	0.706	1.059	0.706	1.059
Standard Deviation	57.0%	57.0%	96.8%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%
Risk free rate					0.254%				
Expected dividend yield					0.0% per annum				
Option life (in years)	2.5	2.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5

(i) The values of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

(ii) If options are forfeited before expiration or lapsed, the related share-based payment reserve will be transferred directly to accumulated losses.

(iii) A new share option scheme ("New Share Option Scheme") has been adopted on 22 March 2012, the rules of the New Share Option Scheme are approved and adopted, and the directors of the Company are authorised to grant options and to allot, issue and deal in the Shares pursuant to the exercise of any options granted and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.

(d) Placing of warrants

On 25 February 2011, the Company as an issuer entered into five substantially identical (save for the number of Warrants subscribed and the identity of the Subscriber as set out below) conditional Warrant Placing Agreements with the Subscriber in relation to a private placing of an aggregate of 145,000,000 Warrants to the Subscribers, of which 24,000,000 to Mr. Luk, Mr. Wong and Ms. Zhang respectively and 36,500,000 Warrants to Mr. Lee and Mr. Ng respectively, at the Warrant Issue Price of HK$0.0028.

The Warrants entitle the Subscribers to subscribe for the New Shares at the Subscription Price of HK$1.2 per New Share for a period of 12 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share. The New Shares will rank pari passu with the Shares upon issued and allotted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24 RESERVES – GROUP AND COMPANY

(a) The Group

The Group's reserves movements for the years ended 31 December 2011 and 2010 are presented in the consolidated statement of changes in equity on page 26 of the consolidated financial statements.

The share premium account of the Group represents the excess of proceeds received over the nominal value of the Company's shares issued, less amounts attributable to the capitalisation issue and share issue expenses.

The capital reserve of the Group represents the difference between the aggregate nominal value of share capital of the subsidiaries acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares over the nominal value of share capital of the Company issued as consideration in exchange thereof.

(b) Company

	Share premium and other reserves HK$'000 *(Note)*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	24,055	(28,407)	(4,353)
Loss for the year	–	(7,452)	(7,452)
Issue of shares by placement	72,721	–	72,721
Equity component of convertible bonds	87,094	–	87,094
At 31 December 2010	183,870	(35,859)	148,011
Loss for the year	–	(26,262)	(26,262)
Issue of shares by placement	94,146	–	94,146
Issue of shares by conversion of convertible notes	583,488	–	583,488
Share issue expenses	(11,112)	–	(11,112)
Grant of private placing Warrants	406	–	406
Employee share option benefits	2,970	–	2,970
At 31 December 2011	853,768	(62,121)	791,647

Note: The share premium and other reserve account of the Company includes: (i) the shares of the Company issued at a premium; and (ii) the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business; (iii) the equity component of convertible bonds. *(See note 30)*; and (iv) the private placing of Warrants *(See note 23)* (v) share based payment reserve *(See note 23)*.

25 TRADE AND BILLS PAYABLES – GROUP

	2011 HK$'000	2010 HK$'000
Trade payables	**389,223**	69,511
Bills payables	**1,354,111**	1,609,472
Total trade and bills payables	**1,743,334**	1,678,983

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

25 TRADE AND BILLS PAYABLES – GROUP (Continued)

At 31 December 2011 and 2010, the aging analysis of the trade payables based on the invoice date, were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**331,534**	8,540
31 to 60 days	**24,639**	179
61 to 90 days	**3,109**	–
91 to 180 days	**28,657**	6,297
Over 180 days	**1,284**	54,495
Total	**389,223**	69,511

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
	HK$'000	HK$'000
Singapore dollar	**332**	–
USD	**–**	333
RMB	**388,891**	69,178
Total	**389,223**	69,511

26 INTEREST BEARING BANK AND OTHER BORROWINGS – GROUP

The interest rate and maturity of the bank loans are set forth as below:

	2011	2010
	HK$'000	HK$'000
Interest-bearing borrowings-collateral	**633,967**	432,483

The interest rate and maturity of the bank loans are set forth as below:

	2011			2010		
	Interest rate%	**Maturity**	**Amount HK$'000**	Interest rate%	Maturity	Amount HK$'000
Bank loans Secured *(Note 1)*	**5.56%-6.71%**	**2012**	**566,967**	5.56%-5.61%	2011	432,483
Other Borrowings	**1.25%-47.5%**	**2012**	**67,000**			
Total			**633,967**			432,483

Notes:

1 Certain bank loans are secured by Ruifeng's property, plant and equipment, prepaid land lease payments and inventories. Detail of the mortgage please refer to notes 11, 13 and 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

27 ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Staff payable	**2,017**	2,867	**–**	–
Advance from customers	**38,907**	14,994	**–**	–
Accruals and other payables	**368,289**	689,379	**178,739**	13,783
Total accruals and other payables	**409,213**	842,240	**178,739**	13,783

28 AMOUNT DUE TO A DIRECTOR

The amounts are unsecured, interest-free and have no fixed terms of repayment.

29 LONG-TERM PAYABLE

The amount represents certain suppliers of the Group agrees to the Group that the balance due to them be subordinated to over 12 month period as the Group has to meet the payment requirement of other creditors in higher priority then the amount originally due to them in light of the Group's continuous commitment to procure oil supply from these suppliers as its preferred source of oil supply when the Group purchases petroleum for its business.

30 CONVERTIBLE BONDS – GROUP

On 31 December 2010, the Company issued the three-year zero-coupon convertible bonds with a nominal value of HK$241,300,000 ("Tranche I CB"). The Tranche I CB are convertible at the option of the bondholders into ordinary shares at any time after the issue of the Tranche I CB to the date of maturity at HK$0.635 per shares. All Tranche I CB have been converted on 7 January 2011.

On 18 February 2011, the Company issued the three year zero coupon convertible bonds up to an aggregate principal amount of HK$444,500,000 ("Tranche II CB"). All Tranche II CB have been converted during the year 2011.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The movement of the liability component of convertible bonds for the year is set out below:

	Liability component	**Equity component**	**Total**
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2010	–	–	–
Issue of Tranche I CB	148,173	87,094	235,267
Carrying amount at 31 December 2010	148,173	87,094	235,267
Issue of Tranche II CB	272,951	160,437	433,388
Conversion of Tranche 1 CB	(148,659)	(87,094)	(235,753)
Conversion of Tranche II CB	(274,080)	(160,437)	(434,517)
Interest expenses	1,615	–	1,615
Carrying amount at 31 December 2011	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

31 REVENUE AND OTHER INCOME

An analysis of the Group's turnover, which represents revenue from the sales of goods, and other income is as follows:

	2011 HK$'000	2010 HK$'000
Revenue		
Sales of goods	5,320,023	8,219
Other income:		
Bank interest income	14,419	7
Interest income from loan receivable	–	62
Gain on disposal of property, plant and equipment	31	–
Gain on disposal of available-for- sale financial assets	165	–
Sundry income	888	–
Gain on expired liabilities	1,073	–
Exchange gains, net	145	–
	16,721	69
Total	5,336,744	8,288

32 PROFIT/LOSS BEFORE TAX

	2011 HK$'000	2010 HK$'000
Profit/(Loss) before tax have been arrival at after charging/(crediting):		
Employee benefits expenses (including directors' remuneration) *(Note 34)*	49,629	12,145
Auditor's remuneration	1,605	929
Professional charge	–	14,212
Costs of inventories sold	5,088,499	71
Depreciation of property, plant and equipment	57,273	–
Amortisation of prepaid land lease payments	951	–
Payments under operating lease for land and buildings	3,122	578
Foreign exchange (gains)/losses, net	(145)	945

33 FINANCE COST

	2011 HK$'000	2010 HK$'000
– Interest expenses on bank loans and borrowings	102,598	–
– Interest expenses on other loans	2,429	–
– Interest expenses on convertible bonds)	1,615	–
– Interest expenses on discounted bills	671	–
Total Finance Cost	107,313	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

34 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 **HK$'000**	2010 HK$'000
Wages and salaries	**44,542**	12,097
Pension costs – defined contribution plans *(Note a)*	**2,117**	48
Share based payment expenses *(Note 23)*	**2,970**	–
	49,629	12,145

(a) Pensions – defined contribution plans

As at 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2010: Nil).

(b) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2011 is set out below:

Name of Director	**Fees** HK$'000	**Pension scheme Contributions** HK$'000	**Total** HK$'000
Executive directors			
Yu Won Kong *(Note 1)*	3,200	12	3,212
Yue Wai Keung *(Note 1)*	3,200	12	3,212
Non-executive directors			
Chan Kwan Pak	120	–	120
Lam Kit Sun	83	–	83
Independent non-executive directors			
Chen Tzyh-Trong	150	–	150
Lee Chung Mong	150	–	150
Yeung Chi Hung	150	–	150
	7,053	**24**	**7,077**

The remuneration of each Director for the year ended 31 December 2010 is set out below:

Name of Director	**Fees** HK$	**Pension scheme Contributions** HK$	**Total** HK$
Executive directors			
Yu Won Kong *(Note 1)*	1,665	12	1,677
Yue Wai Keung *(Note 1)*	1,665	12	1,677
Non-executive directors			
Chan Kwan Pak	120	–	120
Lam Kit Sun	120	–	120
Independent non-executive directors			
Chen Tzyh-Trong	150	–	150
Lee Chung Mong	150	–	150
Yeung Chi Hung	150	–	150
	4,020	**24**	**4,044**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

34 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Directors' and senior management's emoluments (Continued)

During the years ended 31 December 2011 and 2010, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

Note 1: Mr. Yu Won Kong and Mr. Yue Wai Keung's directors fees have been revised to HK$3,600,000 per annum in May 2011.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, other allowances and benefits in kind	**5,120**	3,761

The emoluments fell within the following bands:

	Number of individuals **2011**	2010
Emolument bands		
Nil – HK$1,000,000	**–**	1
HK$1,000,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$3,000,000	**1**	–

35 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2010: Nil).

No provision for Singapore profits tax has been made as the Group had no estimated assessable profits arising in Singapore during the year (2010: Nil).

	2011 **HK$'000**	2010 HK$'000
Current income tax		
– Hong Kong	**–**	–
– Overseas taxation	**–**	–
Deferred tax *(Note 16)*	**(3,744)**	–
Total	**(3,744)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

35 INCOME TAX EXPENSE (Continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2011 HK$'000	2010 HK$'000
Profit/(Loss) before income tax	27,830	(25,236)
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,799	(3,973)
Income not subject to tax	–	(228)
Expenses not deductible for tax	829	138
Tax losses for which no deferred tax asset was recognised	(9,610)	4,063
Deferred tax assets on current year losses not recognized	(18)	–
Tax charge	–	–

The weighted average applicable tax rate was 31.62% (2010: 15.74%). The change in weighted average applicable tax rate is caused by a change in the profit mix of the Group's subsidiaries in the respective countries.

36 PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$26,262,295 (2010: loss of HK$7,451,784).

37 DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2011, nor had any dividend been proposed since the end of the reporting period.（2010: Nil）

38 PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,621,759,000 (2010: 2,616,275,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2011 in respect of a dilution as the impact of the convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

38 PROFIT/(LOSS) PER SHARE (Continued)

The calculations of basic and diluted earnings per share are based on:

	2011	2010
Earnings		
Profit/(Loss) attributable to equity holders of the Company (HK$'000)	**24,086**	(25,236)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	**3,621,759**	2,616,275
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**–**	380,000
	3,621,759*	2,996,275*
Basic profit/(loss) per share (HK cents per share)	**0.67**	(0.96)
Diluted profit/(loss) per share (HK cents per share)	**N/A**	N/A*

* Because the diluted loss per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted profit or loss per share.

39 CASH GENERATED FROM OPERATIONS

	2011 HK$'000	2010 HK$'000
Profit/(Loss) before tax	**27,830**	(25,236)
Adjustments for:		
– Interest income *(Note 31)*	**(14,419)**	(69)
– Depreciation of property, plant and equipment	**57,273**	–
– Amortisation of prepaid lease payment	**951**	–
– Interest expenses on convertible bonds	**1,615**	–
– Gain on disposal of property, plant and equipment	**(31)**	–
– Loss on disposal of available-for-sales financial assets	**(165)**	–
– Share based payment	**2,970**	–
	76,024	(25,305)
Changes in working capital:		
Inventories	**30,871**	(13)
Trade and other receivables	**(400,604)**	464
Deposits paid for a proposed acquisition	**(11,386)**	11,386
Trade and other payables	**(397,465)**	13,661
Amount due to director	**15,000**	–
Taxes paid	**(532)**	–
Net cash (used in)/generated from operating activities	**(673,673)**	193

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

40 COMMITMENTS UNDER OPERATING LEASES – GROUP AND COMPANY

At 31 December 2011, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	2011 HK$'000	2010 HK$'000
No later than one year	4,054	462
Later than one year and no later than five years	630	424
	4,684	886

41 RELATED PARTY TRANSACTIONS

The Group is controlled by Inno Smart Group Limited ("ISG") (incorporated in the BVI with limited liability) which owns approximately 46.90% (2010: 71.39%) of the Company's shares as at 31 December 2011. The remaining 53.10% of the shares are widely held. The directors regard ISG as the Group's ultimate holding company.

The following transactions were carried out with related parties:

(a) Purchases and sales of goods and services

	Note	2011 HK$'000	2010 HK$'000
Consultancy fees paid to a related party	*(i)*	–	550
		–	550

Note

(i) It represented fees for consultancy services provided by a company with a common director of the Company. The consultancy fees were charged at prices mutually agreed between both parties.

(b) Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2011 HK$'000	2010 HK$'000
Salaries and other short-term employee benefits	7,203	4,854
Pension costs – defined contribution plans	24	36
	7,227	4,890

(c) Year-end balances with the related parties

Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values.

Amounts due to related companies

The amounts due to related companies are due to Foshan Nanhai Zhongyou Jiansheng Fuel Trading Co. Ltd, which is controlled by Ms. Ou Aihua who is also the director of Ruifeng. The amounts are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

42 LONG-TERM PAYABLES

This amount represents certain suppliers of the Group agreed the Group that the amount due to them be subordinated to over 12 month period as the Group has to meet the payment requirement of other creditors in higher priority than the amount originally due to them in light of the Group's continuous commitment to procure oil supply from these suppliers as its preferred source of oil supply when the Group purchases petroleum for its business.

43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Deed of settlement and specific mandate to issue new shares

The Board announced that on 30 January 2012, the Deed of Settlement was entered into between the Company and Mr. Xu Zi Ming ("the Creditor"), pursuant to which, the Creditor requested the settlement of Loan by capitalizing it (the principal amount together with accrued interest up to the date of this announcement amounted to RMB110,400,000 (approximately HK$135,792,000)) into the capital of the Company by means of issuing and allotting 664,020,000 new shares of the Company ("Loan Settlement Shares") to the Creditor. The Creditor is a natural person from PRC. The Special Mandate was duly passed by the Company's shareholder on 22 March 2012.

The Specific Mandate was duly passed by the Company's shareholder on 22 March 2012 and the Loan Settlement Shares were issued on 28 March 2012.

Further extension of long stop date in the relation to the very substantial acquisition of 70% of the equity interest in Zhoushan Boke Power Co. Ltd ("Boke")

Pursuant to the new share purchase agreement entered between the Group and the vendor dated 22 July 2011 ("New Share Purchase Agreement"), the consideration of the New Acquisition may be adjusted with reference to the Boke completion accounts. The Company considered that it would be more beneficial to the Group and Shareholders as a whole to adjust the consideration of the New Acquisition (if applicable) with reference to the PRC audited financial information of Boke. The Group and the vendor have mutually agreed that the Boke Completion Accounts shall cover the financial information of Boke for the year ended 31 December 2011. As additional time was required for preparing the Boke completion accounts for the year ended 31 December 2011, the Group and the Vendor have entered into a third supplemental agreement on 31 January 2012 pursuant to which the Long Stop Date of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011 and 28 November 2011 respectively) has been further extended from 31 January 2012 to 31 March 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

As the business registration of the change in 70% equity interest of Boke is still in progress, the Group and the vendor have entered into a fourth supplemental agreement on 30 March 2012 pursuant to which the Long Stop Date of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011, 28 November 2011 and 31 January 2012 respectively) has been further extended from 31 March 2012 to 30 June 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

Business development of the Company

On 10 February 2012, the board of directors of the Company announced that the Company signed a cooperation letter of intent for cooperation (the "Letter of Intent") with Beijing Black Sea Horizon Investment Holdings Limited (北京黑海宏業投資控股有限公司) and its subsidiaries (the "Beijing Black Sea Group") and Beijing Xuan Fu Real Estate Development Company Limited (北京宣福房地產有限公司("Beijing Xuan Fu") in relation to the negotiation on (1) becoming a substantial shareholder of the Company through share acquisition; and (2) the joint development of various businesses, such as oil imports and exports, oil processing and storage, in China.

The Beijing Black Sea Group and Beijing Xuan Fu are currently establishing a joint venture company, via which they intend to become a substantial shareholder of the Company through acquiring the shares of the Company, aiming to jointly develop various businesses, such as oil imports and exports, oil processing and storage, in China with the Company.

The Beijing Black Sea Group is mainly engaged in local and international investments, including the imports and exports and trading of oil, oil storage, etc. Beijing Xuan Fu is principally engaged in the development and investment in real estate, etc. in major cities in China and has an asset value of approximately RMB5 billion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (Continued)

The parties to the Letter of Intent are still under negotiation for the concrete terms on share acquisition and business cooperation, which include the shareholding proportion of the joint venture company in the Company upon the share acquisition, the relevant corporate structure and other cooperation details. The Company will make further announcement(s) to update its shareholders on any progress pursuant to the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited as and when appropriate.

Placing of existing shares and subscription of new shares under general mandate:

On 13 February 2011, the Company entered into the conditional Placing and Subscription Agreement with Kingston Securities Limited (the "Placing Agent") and Inno Smart Group Limited (the "Subscriber") for the placing of up to an aggregate of 43,672,000 existing Shares (the "Placing Shares") to the placees at the placing price of HK$0.229 per Placing Share (the "Placing") and the Subscription of up to 43,672,000 new Shares by the Subscriber at the Subscription Price of HK$0.229 per Share (the "Subscription").

The maximum gross proceeds and net proceeds (after deducting the placing agent commission and other expenses incurred in the Placing and the Subscription) from the Subscription were approximately HK$10 million and approximately HK$9.65 million, respectively. The Company intended to use approximately HK$6 million of the net proceeds from the Subscription for the repayment of loans of the Group and approximately HK$3.65 million of the net proceeds from the Subscription for the general working capital purposes of the Group. The Placing and Subscription was completed on 16 February 2012 and 24 February 2012, respectively.

Changes in use of proceeds of the placing

Reference is made to the circular of the Company dated 25 September 2011 (the "Circular") in relation to the New Acquisition and the announcements of the Company dated 3 October 2011 (the "First Announcement") and 1 December 2011 (the "Second Announcement") in relation to the placing of 60,000,000 Shares (the "First Placing") and 232,000,000 Shares (the "Second Placing", together with the First Placing, the "Placings"), respectively.

On 13 February 2012, the Board announced that it has resolved to change the use of the net proceeds raised from the First Placing (the "First Placing Proceeds") and the Second Placing (the "Second Placing Proceeds") together with the First Placing Proceeds, the "Placing Proceeds").

Regarding the First Placing, part of the First Placing Proceeds (the "Relevant First Placing Proceeds") as disclosed in the First Announcement as to approximately HK$29.0 million was intended to be used to finance the potential acquisition of the 70% of equity interest in Zhoushan Boke Power Co. Ltd.

As the long stop date of the New Acquisition had been further extended to 31 March 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement) and having considered other source of funding, the Board has resolved to change the application of the Relevant First Placing Proceeds be used for the repayment of loans of the Group.

In relation to the Second Placing, the Second Placing Proceeds (the "Relevant Second Placing Proceeds") as disclosed in the Second Announcement as to approximately HK$56.4 million was intended to be used to for general working capital purposes of the Group. The Board has resolved to change the application of the Relevant Second Placing Proceeds as to approximately HK$53.84 million for repayment of loans of the Group; and as to approximately HK$2.56 million for general working capital purposes of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 SIGNIFICANT AFTER THE REPORTING PERIOD (Continued)

Deed of settlement and specific mandate to issue new shares

The Board announced that on 17 February 2012, the Company has entered into (i) the First Deed of Settlement with Mr. Huang, pursuant to which Mr. Huang requested the full and final settlement of the First Loan by capitalization of the First Loan (the aggregate outstanding principal amount together with accrued interest up to the date of this announcement amounted in aggregate to RMB20,187,800 (approximately HK$24,871,370)) to the capital of the Company by the issue and allotment of the First Batch Settlement Shares to Mr. Huang; and (ii) the Second Deed of Settlement with Mr. Li, pursuant to which Mr. Li requested the full and final settlement of the Second Loan by capitalization of the Second Loan (the aggregate outstanding principal amount together with accrued interest up to the date of this announcement amounted in aggregate to RMB5,715,068 (approximately HK$7,040,964)) to the capital of the Company by the issue and allotment of the Second Batch Settlement Shares to Mr. Li.

The issue of the Loan Settlement Shares was not subject to Shareholders' approval as the Loan Settlement Shares were issued under the General Mandate.

The First Batch Settlement Shares of 113,671,707 new shares were allotted to Mr. Huang on 28 February 2012.

The Second Batch Settlement Shares of 32,179,910 new shares were allotted to Mr. Li on 28 February 2012.

Expiration of private warrants

Reference to the announcement of the Company on 25 February 2011, any subscription rights attaching to the Warrants issued on 25 February 2011 which have not been exercised upon the expiration of the 12 month subscription period shall lapse. The subscription rights attaching to the Warrants were expired on 24 February 2012.

Litigation

Reference to the announcement of the Company on 1 March 2012 and 27 March 2012, subsequent to the balance sheet date, Foshan Ruifeng Petroleum and Chemical Fuel Company Limited, the Company's major operating subsidiary, together with its wholly-owned subsidiaries in Mainland China and other parties, have been listed as defendants in a total of 14 cases pending before various courts in Mainland China ("14 Cases"), alerting default in repayment of debts. The total amount claimed in the 14 Cases is about RMB288.33 million. For most of the 14 Cases, applications have been made to the courts for deferment of trial*（向法院申請延期審理）and/or for disputing the courts' jurisdiction（提出管轄權異議）. In one of the 14 Cases, judgment has been entered against a wholly-owned subsidiary of the Company for about RMB3.04 million.

The particulars of the 14 litigation cases are as follows:

1 Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 338*（(2012)佛城法民二初字第338號）:

(a) Plaintiff: Foshan Shiwan Branch of Agricultural Bank of China*（中國農業銀行股份有限公司佛山石灣支行）;

(b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Guanglong, Longchi, Li, Ou, Zhao, Liang and Wang;

(c) Reliefs sought: A claim for about RMB28.08 million plus other reliefs and costs;

(d) Court: Foshan Chancheng District Peoples' Court*（佛山市禪城區人民法院）;

(e) Date of Civil Writ*（起訴狀）: 17 February 2012;

(f) Date of first hearing: 14 April 2012;

(g) Current status: Application has been made to the court for deferment of trial*（向法院申請延期審理）.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

2. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 339* ((2012)佛城法民二初字第339號):

   (a) Plaintiff: Foshan Shiwan Branch of Agricultural Bank of China*(中國農業銀行股份有限公司佛山石灣支行);

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Guanglong, Longchi, Li, Ou, Zhao, Liang, Wang, Beili Storage Company, Suifeng Fossil Company and Suida;

   (c) Reliefs sought: A claim for about RMB16.18 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*(佛山市禪城區人民法院);

   (e) Date of Civil Writ*(起訴狀): 20 February 2012;

   (f) Date of first hearing: 12 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial*(向法院申請延期審理).

3. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 340*((2012)佛城法民二初字第340號):

   (a) Plaintiff: Foshan Shiwan Branch of Agricultural Bank of China*(中國農業銀行股份有限公司佛山石灣支行);

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Guanglong, Longchi, Li, Ou, Zhao, Liang, Wang, Beili Storage Company, Suifeng Fossil Company and Suida;

   (c) Reliefs sought: A claim for about RMB24.21 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*(佛山市禪城區人民法院);

   (e) Date of Civil Writ*(起訴狀): 20 February 2012;

   (f) Date of first hearing: 12 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial*(向法院申請延期審理).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

4. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 341* ((2012)佛城法民二初字第341號):

   (a) Plaintiff: Foshan Shiwan Branch of Agricultural Bank of China* (中國農業銀行股份有限公司佛山石灣支行);

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Guanglong, Longchi, Li, Ou, Zhao, Liang, Wang, Beili Storage Company, Suifeng Fossil Company and Suida;

   (c) Reliefs sought: A claim for about RMB46.80 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court* (佛山市禪城區人民法院);

   (e) Date of Civil Writ* (起訴狀): 20 February 2012;

   (f) Date of first hearing: 12 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial* (向法院申請延期審理).

5. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 298* ((2012)佛城法民二初字第298號):

   (a) Plaintiff: Foshan Branch of China Guangfa Bank* (廣發銀行股份有限公司,佛山分 行);

   (b) Defendants: Nanhua, Zhongyou, Suifeng Fossil Company and Beili Storage Company;

   (c) Reliefs sought: A claim for about RMB21.22 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court* (佛山市禪城區人民法院);

   (e) Date of Civil Writ* (起訴狀): 6 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial* (向法院申請延期審理).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

6. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 300*（(2012)佛城法民二初字第300號）:

   (a) Plaintiff: Chancheng Zhangcha Credit Society*（佛山市禪城區農村信用合作聯社張槎信用社）;

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Suifeng Fossil Company, Beili Storage Company and Ou;

   (c) Reliefs sought: A claim for about RMB20.37 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*（佛山市禪區人民法院）;

   (e) Date of Civil Writ*（起訴狀）: 6 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for disputing jurisdiction*（提 出管轄權異議）and deferment of trial*（向法院申請延期審理）.

7. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 301*（(2012)佛城法民二初字第301號）:

   (a) Plaintiff: Chancheng Zhangcha Credit Society*（佛山市禪城區農村信用合作社張槎信用社）;

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Suifeng Fossil Company, Beili Storage Company and Ou;

   (c) Reliefs sought: A claim for about RMB20.37 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*（佛山市禪城區人民法院）;

   (e) Date of Civil Writ*（起訴狀）: 6 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for disputing jurisdiction*（提 出管轄權異議）and deferment of trial*（向法院申請延期審理）.

8. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 302*（(2012)佛城法民二初字第302號）:

   (a) Plaintiff: Chancheng Zhangcha Credit Society*（佛山市禪城區農村信用合作社張槎信用社）;

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Suifeng Fossil Company, Beili Storage Company and Ou;

   (c) Reliefs sought: A claim for about RMB25.42 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*（佛山市禪城區人民法院）;

   (e) Date of Civil Writ*（起訴狀）: 6 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for disputing jurisdiction*（提 出管轄異議）and deferment of trial*（向法院申請延期審理）.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

9. Case number (2012) Fo Cheng Fa Ming Er Chu Zi No. 303*((2012)佛城法民二初字第303號):

   (a) Plaintiff: Chancheng Zhangcha Credit Society*(佛山市禪城區農村信用合作社張槎信用社);

   (b) Defendants: Ruifeng Fuel Company, Zhongyou, Huali, Suifeng Fossil Company, Beili Storage Company and Ou;

   (c) Reliefs sought: A claim for about RMB35.52 million plus other reliefs and costs;

   (d) Court: Foshan Chancheng District Peoples' Court*(佛山市禪城區人民法院);

   (e) Date of Civil Writ*(起訴狀): 6 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for disputing jurisdiction*(提出管轄權異議) and deferment of trial*(向法院申請延期審理).

10. Case number (2012) Guang Hai Fa Chu Zi No. 170*((2012)廣海法初字第170號):

   (a) Plaintiff: Foshan Shende District Haiboshun Shipping Services Company Limited*(佛山市順德區海駁順船務有限公司);

   (b) Defendants: Ruifeng Fuel Company;

   (c) Reliefs sought: A claim for about RMB731,000 plus other reliefs and costs;

   (d) Court: Guangzhou Admiralty Court*(廣州海事法院);

   (e) Date of Civil Writ*(起訴狀): 13 February 2012;

   (f) Date of first hearing: 10 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial*(向法院申請延期審理).

11. Case number (2012) Guang Hai Fa Chu Zi No. 177*((2012)廣海法初字第177號):

   (a) Plaintiff: Jiangjian Fuda Waters Conveyance and Shipping Services Company Limited*(湛江市富達水運船務有限公司);

   (b) Defendants: Ruifeng Fuel Company;

   (c) Reliefs sought: A claim for about RMB1.12 million plus other reliefs and costs;

   (d) Court: Guangzhou Admiralty Court*(廣州海事法院);

   (e) Date of Civil Writ*(起 訴狀): 9 February 2012;

   (f) Date of first hearing: 13 April 2012;

   (g) Current status: Application has been made to the court for deferment of trial*(向法院申請延期審理).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

12. Case number (2012) Sui Tian Fa Zhi Zi No. 516*（(2012)穗天法執字第516號）:

    (a) Plaintiff: Ong Huayin*（翁華銀）;

    (b) Defendants: Ruifeng Fuel Company;

    (c) Court: Guangzhou Tianhe District Peoples' Court*（廣州市天河區人民法院）;

    (d) Current status: Judgment has been awarded against Ruifeng Fuel Company for RMB3.04 million plus interest and costs on 8 February 2012.

13. Case number (2012) Fo San Fa Min Er Chu Zi No. 103*（(2012)佛三法民二初字第103號）:

    (a) Plaintiff: Zibo Zeyu Fuel Company Limited*（淄博澤宇燃料有限公司）;

    (b) Defendants: Ruifeng Fuel Company;

    (c) Reliefs sought: A claim for about RMB9.82 million plus other reliefs and cost; (d) Court: Foshan Sanshui District Peoples' Court*（佛山市三水區人民法院）;

    (e) Date of first hearing: 13 April 2012;

    (f) Current status: Parties are engaged in mediation.

14. Case number (2012) Fo Zhong Fa Ming Si Chu Zi Di No. 27*（(2012)佛中法民四初字第27號）:

    (a) Plaintiff: Foshan Nanhai Branch of Industrial and Commercial Bank of China Limited*（中國工商銀行股份有限公司佛山南海支行）

    (b) Defendants: Ruifeng Fuel Company, Suifeng Fossil Company, Beili Storage Company, China Base, the Company, Ou, Li, Yu and Yue;

    (c) Reliefs sought: A claim for about RMB35.64 million plus other reliefs and costs;

    (d) Court: Foshan Intermediate People's Court*（佛山市中級人民法院）

    (e) Date of Summon : 27 February 2012;

    (f) Date of first hearing: 12 April 2012;

    (g) Current status: Application has been made to the court for deferment of trial*（向法院申請延期審理）.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

43 EVENTS AFTER THE REPORTING PERIOD (Continued)

Litigation (Continued)

Definition:

Beili Storage Company means Foshan Beili Fuel Storage Company Limited*（佛山市倍力燃料倉儲有限公司）, a wholly-owned subsidiary of the Company;

China Base means China Base International Ltd.（華大國際有限公司）, a wholly-owned subsidiary of the Company;

Guanglong means Foshan Sanshui Guanglong Petroleum and Chemical Fuel Co. Ltd.*（佛山市三水廣龍石化燃料有限公司）;

Huali means Guangdong Huali Investment Group Co. Limited*（廣東華立投資集團有限公司）;

Li means Li Yonjun*（李永軍）;

Liang means Liang Chengjin*（梁成錦）;

Longchi means Foshan Sanshui Longchi Petroleum and Chemical Fuel Co. Ltd.*（佛山市三水龍池石化燃料有限公司）;

Nanhua means Guangdong Nanhua Petroleum Company Limited*（廣東南華石油有限公司）;

Ou means Ou Aihua*（歐愛華）;

Ruifeng Fuel Company means Foshan Ruifeng Petroleum and Chemical Fuel Company Limited*（佛山市瑞豐石化燃料有限公司）, a wholly-owned subsidiary of the Company;

Suida means Foshan Suida Fuel Co. Ltd China Base International Ltd.*（佛山市穗達燃料有限公 司）, a wholly-owned subsidiary of the Company;

Suifeng Fossil Company means Foshan Suifeng Fossil Fuel Company Limited*（佛山市穗豐石化 能源有限公司）, a wholly-owned subsidiary of the Company;

Wang means Wang Min*（王敏）;

Yue means Yue Wai Keung, an executive director of the Company;

Yu means Yu Won Kong, Dennis, an executive director of the Company;

Zhao means Zhao Wenbo*（趙文博）;

Zhongyou means Foshan Nanhai Zhongyou Jiansheng Fuel Trading Co. Ltd.*（佛山市南海中油堅 盛燃料貿易有限公司）.

44 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2011.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2011

The following is a summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements.

Results

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,320,023**	8,219	9,584	16,509	17,194
Cost of sales	**(5,088,499)**	(1,152)	(1,502)	(2,156)	(2,481)
Gross profit	**231,524**	7,067	8,082	14,353	14,713
Other income	**16,721**	69	582	595	1,404
Selling and distribution costs	**(19,187)**	(299)	(647)	(808)	(1,236)
Administrative expenses	**(93,195)**	(32,073)	(14,692)	(12,917)	(11,759)
Finance cost	**(107,313)**	–	–	–	–
Other expenses	**(720)**	–	–	–	–
Provision for impairment loss of available-for-sale financial assets	**–**	–	(736)	(3,498)	(592)
Profit/(loss) before income tax	**27,830**	(25,236)	(7,411)	(2,275)	2,530
Income tax expense	**(3,744)**	–	(24)	(2,172)	(2,159)
Profit/(loss) for the year	**24,086**	(25,236)	(7,435)	(4,447)	371

Assets and liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,202,856**	1,460,160	7,506	5,036	9,685
Current assets	**2,748,879**	2,363,460	23,654	31,892	31,866
Current liabilities	**(2,790,191)**	(3,473,490)	(1,346)	(3,085)	(2,795)
Non-current liabilities	**(1,269,569)**	(184,954)	–	–	–
	891,975	165,176	29,814	33,843	38,756